DOCUMENT RESUME

ED 082 052 CE 000 351

AUTHOR	Jeanneau, Joseph A.; And Others
TITLE	Small Business Management. Instructor's Manual. Volume I. Third Edition.
INSTITUTION	Saskatchewan NewStart, Inc., Prince Albert.; Training Research and Development Station, Prince Albert (Saskatchewan).
PUB DATE	Feb 73
NOTE	489p.
AVAILABLE FROM	Training Research and Development Station, Department of Manpower and Immigration, Prince Albert, Saskatchewan ($29.95 for set of four vols. CE 000 351-000 355)
EDRS PRICE	MF-$0.65 HC Not Available from EDRS.
DESCRIPTORS	Adult Education; *American Indians; *Business Subjects; Community Resources; Course Content; Course Descriptions; Course Objectives; Course Organization; Educational Resources; *Lesson Plans; *Management Education; Methods; Teaching Guides; *Vocational Education

ABSTRACT

The instructor's manual is one of four prepared as a guide in conducting a small Business Management course for American Indians to prepare them for jobs as owners/managers of their own businesses and for management positions with business owned by bonds, cooperatives, and others. The manual contains lesson plans, suggested methodologies, and lists of resources required. In the five months of class time and one month of on-the-job training, the following subject areas are covered: management process; marketing management; finance, accounting, bookkeeping; personnel management; business law; personal finance; business communication; production management; and office procedures. Lessons are drawn from different subject areas and arranged serially rather than dealing with an entire subject area. In a detailed introduction the situation of the Indians is reviewed, the course is surveyed, techniques are explained, and resources and setting for the course are discussed. The final emphasis is on adapting the course to local needs, obtaining feedback, and administrative responsibilities. (For Volume II, see CE 000 352; Volume III, CE 000 353; Volume IV, CE 000 355) (AG)

FILMED FROM BEST AVAILABLE COPY

ED 082052

communications
production
marke
personnel
ac~ounting

U.S. DEPARTMENT OF HEALTH
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION
THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL BY MICROFICHE ONLY HAS BEEN GRANTED BY
TRDS by Stuart Conger
TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE NATIONAL INSTITUTE OF EDUCATION FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER

CE 000 351

SMALL BUSINESS MANAGEMENT
INSTRUCTOR'S MANUAL

Training Research And Development Station
Department Of Manpower And Immigration

VOLUME ONE

ED 082052

SMALL BUSINESS MANAGEMENT

INSTRUCTOR'S MANUAL

VOLUME I

THIRD EDITION

JOSEPH A. JEANNEAU

WITH THE COLLABORATION OF

DENNIS ANDERSON
DOUGLAS MURRAY
WILLIAM LOGAN

TRAINING RESEARCH AND DEVELOPMENT STATION
DEPARTMENT OF MANPOWER AND IMMIGRATION

PRINCE ALBERT, SASKATCHEWAN

© 1970, 1971, 1973

Published by Saskatchewan NewStart Inc.
for the Training Research and Development
Station.

All rights reserved. No part of this book may be reproduced in any form by mimeograph or any other means without permission in writing by the Training Research and Development Station.

Printed in Canada
By Modern Press
Saskatoon, Sask.

FOREWORD

The Small Business Management course has been developed to prepare people of Indian ancestry for jobs as owner/managers of their own businesses and for management positions with businesses owned by bands, co-operatives and others. The course can also be used to prepare people for a wide variety of jobs in business, band management or various levels of government service.

The four instructor's manuals contain lesson plans, suggested methodologies and lists of resources required to conduct the Small Business Management course.

This third edition is the result of the systematic development and testing of two previous editions of the course. The preparation of the course material was made possible by the collaboration of the members of a dedicated team who were involved at various stages in the development and testing of the course under the direction of Joseph A. Jeanneau. The contributions of Dennis Anderson, William Boschman, Norman Johnson, William Logan, Herbert McPhail, Douglas Murray and Jason Shaw are gratefully acknowledged. The assistance of Robert Barkman and Ross Ingroville with the audio-visual material is also greatly appreciated.

The ideas and constructive criticism of our students were also of great value in developing a course which, hopefully, is adapted to the needs of the Native people.

The training Research and Development Station develops methods of training and counseling adults.

D. Stuart Conger,
Director.

February, 1973

TABLE OF CONTENTS

Page

INTRODUCTION i

VOLUME I

CODE	LESSON	
MP1	Introduction to the Course	1
MP2	The Individual & His Needs	9
MP3	The Organization	27
MP4	What is Management?	41
MP5	What is Small Business?	59
PM1	Why People Work	69
BC1	The Communication Process	83
BC2	Communicating in Business	99
MP6	Success & Failure in Business	115
FAB1	Introduction to Finance, Accounting, Bookkeeping	127
FAB2	What is Bookkeeping, Accounting & Financial Management?	135
FAB3	What is a Business Worth?	147
FAB4	Starting the Bookkeeping System	163
OP1	Introduction to Office Procedures	179
OP2	Filing	185
FAB5	Recording Business Transactions	197
FAB6	Recording Expenses & Revenues	219
FAB7	Taking the Trial Balance	253
FAB8	Preparing the Work Sheet	295
FAB9	Elementary Profit & Loss Statement	307
FAB10	Elementary Balance Sheet	327
FAB11	Recording Closing Entries	347
PF1	Introduction to Family Money Management	365
PF2	Family Budgeting	379
FAB12	Sources of Funds for Starting the Business	389
PF3	The Importance of Savings	409

VOLUME II

BC3	Business Letters & Reports	421
BC4	Speaking in Business	435
BC5	Conducting Business Meetings	459
OP3	Handling Mail	467
MP7	The Planning Function	473

CODE	LESSON	PAGE
PROD1	Introduction to Production Management	487
MKT1	Introduction to Marketing	505
MKT2	What is a Market?	519
MKT3	Sizing Up a Market Opportunity	533
BL1	Introduction to Business Law	549
BL2	Introduction to Different Forms of Business Organization	563
BL3	Proprietorships & Partnerships	575
BL4	Limited Companies & Co-operatives	587
BL5	Legal Steps Required in Setting Up Each Form of Business Organization	603
MKT4	The Right Product & The Right Service	617
PROD2	What Product Should You Produce	627
PROD3	Plant Location	643
MP8	The Planning Function Reviewed: First Project	653
PROD4	Plant Layout & Work Simplification	667
BL6	The Legal Contract	681
MP9	The Organizing Function	691
PM2	What is Personnel Management?	703
PM3	Different Types of Leaders	717
PM4	Morale in Your Business	739
PM5	Establishing the Need for New Employees	747
PM6	The Search for New Employees	757
PM7	Selecting the Best Man for the Job	765
PM8	Interviewing Job Applicants	781
PM9	Training Personnel	787
OP4	Office Machines	797
OP5	Duplicating	805
OP6	Office Supplies	811
MKT5	Middlemen	817
BL7	Special Contracts: The Sale of Goods	829
MKT6	Purchasing	839
FAB13	Bookkeeping Reviewed	851
MKT7	Stockkeeping	883
FAB14	Recording Your Purchases	897

VOLUME III

CODE	LESSON	PAGE
PROD5	Obtaining & Maintaining Equipment	937
PROD6	Quality Control	947
PROD7	Production Costs	957
PROD8	Break-Even Analysis	973
MKT8	Setting Prices	991
MKT9	Promoting Your Business	1009
MKT10	Advertising	1019
MKT11	Salesmanship	1033

CODE	LESSON	PAGE
MKT12	Merchandise Layout & Display	1049
FAB15	Should You Sell on Credit?	1067
FAB16	Recording Credit Sales	1085
FAB17	Recording Cash Receipts	1121
FAB18	Sales Tax	1143
FAB19	Recording Cash Payments	1167
FAB20	Handling & Recording Cash	1183
FAB21	Banking	1207
FAB22	The General Journal	1243
FAB23	Inventory	1259
FAB24	Adjustments for Inventory	1279
FAB25	Financial Statements	1303
PF4	Consumer Credit	1323
PF5	Calculating Interest	1341
MP10	The Second Project	1361
MP11	The Directing Function	1367
PM10	Giving Workers Responsibility & Measuring Their Performance	1377
PM11	Communicating with Employees	1393
PM12	Be a Good Listener	1411
PM13	Roadblocks to Communication	1421
PM14	The Grapevine	1431
PM15	Disciplining Your Employees	1439

VOLUME IV

CODE	LESSON	PAGE
PM16	Different Pay Plans	1447
FAB26	Payroll Deductions	1455
FAB27	Recording the Payroll	1499
PM17	Labour Legislation	1521
MP12	On-The-Job Training	1527
MKT13	Analyzing Your Market	1533
PROD9	Planning & Scheduling Production	1545
FAB28	The Synoptic Journal	1561
FAB29	Depreciation	1583
FAB30	Year-End Adjustments	1601
FAB31	Preparing Financial Statements	1615
MP13	The Controlling Function	1645
FAB32	Year-End Reporting	1653
FAB33	Personal Income Tax	1671
FAB34	Business Income Tax	1683
FAB35	Financial Management	1693
FAB36	Analyzing the Profit & Loss Statement	1699
FAB37	Analyzing the Balance Sheet	1713
BL8	Special Contracts: General Business Insurance	1733
BL9	Ownership & Transfer of Real Estate	1747
BL10	Leases	1757

CODE	LESSON	PAGE
BL11	Mortgages....................................	1763
FAB38	Working Capital..............................	1769
FAB39	Planning & Budgeting.........................	1783
FAB40	The Cash Budget..............................	1789
FAB41	The Operating Budget.........................	1809
FAB42	Projected Financial Statements................	1827
FAB43	Financing the Business.......................	1855
MP14	The Management Functions Reviewed.............	1875
PF6	Personal Insurance...........................	1879
PF7	Your Will & Estate...........................	1893
BL12	Insolvency & Bankruptcy......................	1907
BL13	The Indian Act...............................	1919
OP7	How Can Office Procedures Help Your Business...	1921
PROD10	Is Production Management Necessary?...........	1925
FAB44	Finance, Accounting, Bookkeeping & the Management Process................................	1935
MP15	Business & the Community.....................	1941
MP16	The Businessman & Business Ethics.............	1949
MP17	Review of the Course.........................	1955
MP18	Evaluation...................................	1967

INTRODUCTION

This instructor's manual has been prepared as a guide in conducting the Small Business Management course. The following ideas were formulated as a result of the experiences and insight acquired in developing and testing the course materials with native adult students.

Conducting the Small Business Management course can be a challenging and rewarding experience. To be effective, the instructor must put a great deal of thought and planning into how he intends to help students attain their goals. The emphasis of the course should be on preparing the students for rewarding careers in business so they can work towards their own development as well as that of their communities.

The first section of the Introduction reviews the critical situation in which many Native people find themselves. It also sets out the course objectives and general teaching approach adopted by the developers.

The next section describes the course content, the organization of the course materials and the course duration. In addition to the classroom experience, the course provides for on-the-job training.

The section on Training methods examines techniques and aids used in the course to facilitate learning as well as to encourage involvement and participation.

The fourth section is devoted to the resources required to conduct the course. The physical setting, the equipment, overhead projectuals, films, library materials and supplies required and reviewed.

The section on conducting the course gives a number of pointers which will be useful to the instructor in working with his students.

In the section on adapting the course to local needs, the instructor will see that the instructor's manual can only be a guide to him. He will have to add, delete and change the material to meet the needs of his students.

The seventh section discusses the need for an evaluation process in conducting the course. The instructor must be open to feedback by the students, yet he must realize that the students' needs are not always clear to them, and these will change as they proceed. The evaluation process keeps the students motivated and serves as a guide for the instructor.

The final section discusses administrative aspects such as student recruitment and selection, instructor selection and training and miscellaneous aspects such as living accommodations for students, scheduling of courses, counselling needs, cost of the course, etc.

1. RATIONALE FOR THE COURSE

In the recent past Native people have not participated beyond a very limited extent in their own economic development nor have they had much opportunity to do so. Their knowledge of financial and business affairs is often limited and they tend to approach this field with some bewilderment. It may be hypothesized that until native people become involved in and contribute to their own economic development, they will remain at the lower rungs of society as far as economic welfare is concerned.

Native people have generally lived on the natural resources of their environment. In recent years, the opening of land for agriculture and the rapid development of mineral and natural resource industries, and an ever expanding tourist industry, has resulted in a greater competition for the scarce natural resources. Add to this the rapid increase in Native population and the dimensions of a serious problem are present. Native people must now look for alternative approaches to making a living.

In the last few years, there has been a growing unrest amongst native people. They want the same amenities as the rest of the population and wish to have equal opportunity for economic betterment, yet because of their lack of preparation, they often fail to see or are unable to take advantage of the opportunities which are developing in their own area. At the same time, there is a growing public awareness of a social responsibility. Government policy is rapidly changing to provide more adequate financial aid to meet the needs of Native people. In spite of this, little has been done to prepare them to make effective and productive use of these financial and economic resources.

Most prospective students will have had little, if any, experience in business. The course should be an opportunity for the students to grow in knowledge, skills and experience so that they are better equipped to start a business of their own or are prepared for management positions in the band, community, co-operative or in other businesses. Others may want the course to prepare them to play an active role in the administration of local government through the band or village council or as an administrator of a program. The individual reasons for which students will take the course will vary but the basic training required to prepare them to play an active role in their own economic development will remain much the same.

The course objective is to prepare the students for a career in management. It attempts to give them the management tools necessary to do an effective job in working toward their own betterment and that of their communities as they see it.

It is important, in the opinion of the developers of the course, not to try to make white men out of Native people. They have their own set of values which they cherish and which they can use to enrich the larger society. The course should attempt to build on what the students have rather than try to destroy it. As they develop their knowledge of business management and as they discover that business does not contain mysterious concepts which the Native person is not capable of mastering, they will gain a new confidence in themselves. It is deplorable that native people have been left with the opinion that if they are to be a success, they must turn their backs on their culture, values and traditions. It is strongly suggested to course instructors that if they wish to be successful in preparing students for a contribution to the development of their economy, they must help the students grow as individuals who will use business management knowledge and skills to help their people grow and prosper.

The prime emphasis of the course is not on teaching, but in helping the future managers and administrators get out of the course what they need. The course should be student-oriented rather than content-oriented. The course content is a necessary part of the training but it is only useful in as much as it prepares the students for their careers. The course content, the methodology, the projects, the dynamics of the group should lead to developing the students' problem-solving skills, their decision-making skills, their self-confidence, judgment, communication ability and their ability to think and strive towards their goals under occasional stressful situations.

Management responsibilities can be rewarding but they are not usually easy. The students must get an accurate picture of what they may encounter in the real world. If the instructor concentrates on content only, the students may find themselves ill-prepared for the real job ahead.

2. DESCRIPTION OF THE COURSE

The course undertakes to introduce the students to the different aspects of business management. This is to be done in such a way that the students see and understand the interrelationship between the different management functions (planning, organizing, directing, controlling) and the different subjects or topics which make up the field of business management. The lessons are not conducted as separate subject areas but are sequenced in a continuum to show interrelationships between lessons and subject areas. The students should see the content of the course as forming a management process rather than a number of isolated subject areas.

a. Course Content

The course is divided into nine subject areas and consists of 134 lessons. The nine subject areas are listed below along with the code which is used for easy identification of lessons during the course:

Subject Areas	Code
(1) Management Process	MP
(2) Marketing Management	MKT
(3) Finance, Accounting, Bookkeeping	FAB
(4) Personnel Management	PM
(5) Business Law	BL
(6) Personal Finance	PF

(7)	Business Communication	BC
(8)	Production Management	PROD
(9)	Office Procedures	OP

The word subject to denote course topics is used with some hesitancy since it can connote an idea of separate units and/or a number of unrelated items. This note will serve to caution the instructor to help the student see the different topics as elements in a management process which contribute to reaching the management objective.

Although the table of contents shows the suggested sequencing of lessons which the instructor can follow to help integrate the course materials, the following description of subject areas list lessons by subject areas to show clearly what topics are dealt with within each area.

(1) Management Process

This series of lessons attempts to show the relationship between the management functions and the other subject areas. These lessons show how organizations are required to fill individual human needs, and how organizations need the management functions of planning, organizing, directing and controlling to reach their goals or objectives. These management lessons are integrated with the other subject area lessons. Two business projects are scheduled which will involve students in the practical aspects of management and will have them use the knowledge they have acquired. The management process lessons are listed below:

MP1	Introduction to the Course
2	The Individual and Human Needs
3	The Organization
4	What is Management?
5	What is Small Business?
6	Success and Failure in Business
7	The Planning Function
8	The Planning Function Reviewed: First Project
9	The Organizing Function
10	The Second Project
11	The Directing Function
12	On the Job Training
13	The Controlling Function

14	The Management Functions Reviewed
15	Business and the Community
16	The Businessman and Business Ethics
17	Review of the Course
18	Evaluation

The lessons in management process should help students see the role of management in helping organizations attain their goals. These lessons are the framework of the course.

(2) Marketing

The lessons in this series show the students the many activities involved in getting goods and services from the producer to the consumer, and the planning and work which is required in marketing if the business is to be a success. The lessons are:

MKT1	Introduction to Marketing
2	What is a Market?
3	Sizing up a Market Opportunity
4	The Right Product and Right Service
5	Middlemen
6	Purchasing
7	Stockkeeping
8	Setting Prices
9	Promoting your Business
10	Advertising
11	Salesmanship
12	Merchandise Layout and Display
13	Analyzing your Market

(3) Finance, Accounting, Bookkeeping

This subject area, which requires the most class time, introduces the students to the area of bookkeeping, accounting, credit, financial statements and their interpretations. The bookkeeping system is a simple double entry which starts at an elementary level and builds on the knowledge the students acquire. The students also study the activities of planning and budgeting, the importance and use of producer credit, and the main sources of funding businesses. Many practice exercises are included in the lessons. The titles are:

FAB1	Introduction to Finance, Accounting and Bookkeeping
2	What is Bookkeeping, Accounting and Financial Management?
3	What is a Business Worth?
4	Starting the Bookkeeping System
5	Recording Business Transactions
6	Recording Revenues and Expenses
7	Taking the Trial Balance
8	Preparing the Work Sheet
9	Elementary Profit and Loss Statement
10	Elementary Balance Sheet
11	Recording Closing Entries
12	Sources of Funds for Starting the Business
13	Bookkeeping Reviewed
14	Recording your Purchases
15	Should you Sell on Credit?
16	Recording Credit Sales
17	Recording Cash Receipts
18	Sales Tax
19	Recording Cash Payments
20	Handling and Recording Cash
21	Banking
22	The General Journal
23	Inventory
24	Adjustments for Inventory
25	Financial Statements
26	Payroll Deductions
27	Recording the Payroll
28	The Synoptic Journal
29	Depreciation
30	Year-End Adjustments
31	Preparing Financial Statements
32	Year End Reporting
33	Personal Income Tax
34	Business Income Tax
35	Financial Management
36	Analyzing the Profit and Loss Statement
37	Analyzing the Balance Sheet
38	Working Capital
39	Planning and Budgeting
40	The Cash Budget
41	The Operating Budget
42	Projected Financial Statements
43	Financing the Business
44	Finance, Accounting, Bookkeeping and the Management Process.

(4) Personnel Management

The Personnel management lessons deal with the task of helping both the workers and the organization reach their goals through people. The lessons examine styles of leadership and their effect on workers, the process of recruiting, selecting and training employees, and methods of improving the working relationships between employee and employer. The lessons in this subject area are:

PM1	Why People Work
2	What is Personnel Management?
3	Different Types of Leaders
4	Morale in Your Business
5	Establishing the Need for New Employees
6	The Search for New Employees
7	Interviewing Job Applicants
8	Selecting the Best Man for the Job
9	Training Personnel
10	Giving Workers Responsibility and Measuring Their Performance
11	Communicating with Employees
12	Be a Good Listener
13	Roadblocks to Communication
14	The Grapevine
15	Disciplining Your Employees
16	Different Pay Plans
17	Labour Legislation

(5) Business Law

This subject area introduces the student to some of the fundamentals of business law. The students study the different forms of business organization, the conditions for contracting and special types of contracts, and topics related to the ownership of property. The lessons in this subject area are:

BL1	Introduction to Business Law
2	Introduction to Different Forms of Business Organization
3	Proprietorships and Partnerships
4	Limited Companies and Co-operatives
5	Legal Steps Required in Setting Up Each Form of Business Organization

6 The Legal Contract
7 Special Contracts: The Sale of Goods
8 Special Contracts: Business Insurance
9 Ownership and Transfer of Real Estate
10 Leases
11 Mortgages
12 Insolvency and Bankruptcy
13 The Indian Act

(6) Personal Finance

The success of a small business venture often depends on the ability of the owner-manager to manage his personal finances. The businessman must be knowledgable in a number of areas in the personal finance field. The lessons in this subject area are:

PF1 Introduction to Family Money Management
2 Family Budgeting
3 The Importance of Saving
4 Consumer Credit
5 Calculating Interest
6 Personal Insurance
7 Your Will and Estate

(7) Business Communications

The lessons in this subject area help the students become more skilled and at ease in communicating, and introduces the communication skills which can be practised and developed informally throughout the course.

BC1 The Communication Process
2 Communicating in Business
3 Business Letters and Reports
4 Speaking in Business
5 Conducting Business Meetings

(8) Production Management

This series of lessons is intended for students who wish to orient themselves towards manufacturing or production. The lessons in this subject are:

PROD1	Introduction to Production
2	What Product Should you Produce?
3	Plant Location
4	Plant Layout and Work Simplification
5	Obtaining and Maintaining Equipment
6	Quality Control
7	Production Costs
8	Break-Even Analysis
9	Planning and Scheduling Production
10	Is Production Management Necessary?

(9) Office Procedures

The students study systems for handling mail and filing to deal with correspondence, financial information, invoices, etc., and are introduced to supplies and equipment which can facilitate and expedite office work. The lessons in this area are:

OP1	Introduction to Office Procedures
2	Filing
3	Handling Mail
4	Office Machines
5	Duplicating
6	Office Supplies
7	How Can Office Procedures Help Your Business?

b. Organization of Course Material

(1) Sequencing the Lessons

It was indicated previously that the lessons are not conducted as subjects. Sequencing takes place by drawing lessons from the different subject areas and arranging these serially rather than by subject area.

This approach illustrates that business management is the use of all the subject areas in the successful operation of a business. It also provides the students with a variety of material and with an opportunity to integrate the various aspects of business into a comprehensive entity. Traditionally the students had to integrate and interrelate the different subject areas on their own. In this course it is the instructor's responsibility to help the students discover the relationship between the management process and the other lessons as the course progresses. Ideally the lessons of the course should fit together as pieces of a puzzle to give the students a good perspective of the functions of management.

(2) Course Materials

There are two categories of printed materials: student materials and instructor's manual.

(a) Student Materials

The student materials consist of approximately 1000 pages of Readings, cases and exercises.

(i) Readings are the name given to the materials which the student receives during each lesson and which serve as the 'test' of the course. They have been specially prepared to cover the subject matter at a level which students with an adult Grade 10 should readily understand.

(ii) The cases are short situations which have been for the most part simplified from real case histories. The students will often find the cases lacking in specific detail; they will have to make necessary assumptions and proceed on this basis.

(iii) The exercises provide the students with practice in various aspects of the different subject areas.

The student materials for each lesson are packed in boxes. There are sufficient lessons for a class of 20 students.

The lessons are sequenced in the boxes and are proceeded by a tab which identifies the lesson.

(b) The Instructor's Manual

The instructor's manual consists of four volumes which contain all of the student materials described above, incorporated into instructor's lesson plans which outline suggested methodologies for each lesson. The lesson format consists of:

- overview
- objectives
- reference material for the instructor
- resources required
- methodology
- indicator

(i) Overview

The overview puts the lesson into prospective for the instructor. It sets out the lesson purpose, its relationship to previous lessons, and its relationship to the other subject areas. The overview should prove useful to the instructor in introducing the lesson to the students, who should know why the lesson is important and where it fits in the management process.

(ii) Objectives

Each lesson sets out one or more objectives which state the specific learning expected of the students. The objective is discussed under the heading of Purpose in the student Readings, in order that the students understand what is expected of them.

(iii) Reference Material for Instructor

This section of the instructor's guide gives references to books, pamphlets, etc. which may be useful to the instructor in providing him with background information in a specific subject area.

(iv) Resources Required

The resources necessary for a lesson are listed in this section. If overhead transparencies (projectuals) or films are a part of the lesson, they will be listed here; however, the overhead projector or film projector have not been listed as their use is obvious. Suggested field trips, tours and resource people are listed here.

(v) Methodology

The methodology which is the main section of the instructor's guide, provides the instructor with detailed suggestions for conducting the lesson. The methodology of each lesson consists of three phases: stimulus, clarify problem and provide information.

The stimulus phase arouses curiosity in the lesson. It is an attempt to interest the students and make them aware of and involved in each objective. The stimulus is most effective if it can draw from the students' past experience.

The second phase, clarifying the problem, attempts by means of questions, case stories, definitions or explanations, to make the students aware of a problematic situation. The process of clarifying the problem permits the instructor to learn the level of understanding that his students have of a topic and to start the lesson at that level.

Following the clarification of the problem, the students can use the Readings, discussion and the many other training methods in gathering information to help arrive at the objective.

The final stages of problem solving, of implementing and evolution cannot be handled in the course. Students should however recognize the total problem solving process: becoming aware of a problem, clarifying the situation, searching for information (alternatives), choosing a solution, implementing it, and evaluating the progress. These will be used many times by the students throughout their business careers.

If they are aware of this problem-solving process, they can work towards developing their skills in making better and more effective decisions.

> The student Readings interspersed in the methodology section of the Instructor's Guide are framed in boxes as is this paragraph. This readily identifies them as being part of the Readings and permits the instructor to make reference to the Readings as the lesson progresses.

The instructions in the methodology stress the need for discussion of the Readings in order to place the learning in the context of the students' previous experiences. The discussions, along with various training techniques and aids are a means of involving the students and getting their active participation.

(vi) Indicator

Before terminating each lesson, the instructor must check to see if the objective has, in fact, been reached. The indicator may consist of an exercise, a review of what the student has learned by means of a written or oral report or it may simply be the instructor's observation of the discussion and learning in the group.

It is very useful that the instructor finish the lesson by giving an overview or summary of the learning, again putting the lesson in perspective.

c. Duration of the Course

The course provides for approximately five months of class time plus one month of on-the-job training. The time may vary considerably with different groups of students. Some groups may only need some parts or subject areas of the course;

other groups with business experience may progress more rapidly than a group with no experience.

The instructor may have other constraints to consider, such as a fixed time schedule imposed by a sponsoring agency, making adjustments necessary. The students should not feel that they are being pushed through the course material.

3. TRAINING METHODS

This section will briefly discuss methods of facilitating learning and training techniques and aids used in the course.

a. Facilitating Learning

Facilitating learning should certainly be the objective of every instructor, especially in teaching native students business management. Previous experiences with traditional schooling may have discouraged them and may have produced in some a negative attitude to learning.

No person can be forced to learn; discipline will ensure that the student listens, but learning and remembering is a voluntary process. Students will learn if they are interested and if they can recognize a personal need for what they are learning. An instructor who knows how people learn will be more effective in reducing the time required for learning, and increasing the knowledge retained. The following points regarding learning may be useful.

(1) Familiarity

Students learn more rapidly if they are somewhat familiar with the material to be learned. It is important that the instructor start where the students are and build on this knowledge. It is important to show how the lesson material applies to businesses with which the student is familiar: a commercial fishing operation, a general store, a taxi business, a service station, etc. The use of examples and references to students' experiences or related instructor experiences will facilitate learning.

(2) Relevancy

Learning will also take place more rapidly if the students can see how the lesson material will be useful to themselves in the future. They will find the material more relevant and meaningful and will retain new learning longer if they can fit the new learning in with their past experiences and knowledge as well as their future needs.

(3) Change of Pace

The students learn more rapidly and their interest is sustained longer if a variety of approaches, stimuli, training techniques and aids are used, and if the student is actively involved in the learning process.

(4) Logical Units

Learning will be more rapid and retention will be better if the students understand the relationships between lessons, and if they know what is to be learned and when it has been learned.

(5) Recency and Primacy

In a new lesson or new subject, students will remember more readily the first and last things learned. It helps if a learning unit is not too long so that students do not have too much difficulty remembering the middle. The use of logical units and frequent reviews, and putting the lesson into perspective can help the students retain the new knowledge.

(6) Learning Climate

Learning is easier in a relaxed and informal atmosphere. Honest support and praise from the instructor and the students for good contributions in class help the learning climate. Praise is reward that helps motivate students to learn. A jovial climate in class is a good sign of students who are enjoying the learning experience.

(7) Feedback

Feedback can be very effective in letting a student know where he stands and what is expected of him. Feedback should be used as a method of telling a student what he is doing right, it should be mainly of the positive type. Negative reinforcement and punishment can create blocks to learning. Problems facing the group should be discussed with them in a straightforward way, as a problem which the group should handle.

(8) Positive Attitude to Learning

Learning will take place more naturally and effectively if instructor and students all have a positive attitude towards learning. Learning should be seen as an on-going process which lasts a lifetime, and this course as only an introduction to the learning of business management, providing the skills necessary to continue learning. The instructor can do much to motivate students to set goals which they wish to reach. Students who have set their own goals will continue their development process.

Some native students have been told so often that they are disadvantaged people that they believe they no longer can change the situation they are in and take a rather negative approach to learning, hindering their progress. In such cases, the instructor may help the student remove a mental block by discussing the nature of a disadvantaged person - one who has difficulty coping with his environment. A rapidly changing environment such as ours requires people to learn new skills. Many so-called disadvantaged people are not at all disadvantaged in earning their living in the traditional way, but due to changes, they may have difficulty in adjusting to new ways, or to new surroundings. For instance, a rural person may be disadvantaged in a city setting in much the same way a city person may be disadvantaged if he had to operate a trap line. It is possible for anyone to adjust to a new environment if he wishes to. This does not mean he must take on all the values of the larger societies, it means he must develop the necessary skills to cope with this society.

An understanding of this process of change may help the student see that lacking skills in a specific area is not equivalent to not being able to learn them.

It should again be said that the instructor should see himself not primarily as an imparter of knowledge but as a facilitator in the learning process. The instructor's concern is to help the students acquire management skills to help themselves and their people to develop economically and culturally.

b. Training Techniques and Aids

Many different training techniques and aids are used to provide the student with a change of pace within the lesson and to facilitate their involvement and active participation. These techniques and aids are briefly described.

(1) Listing Student's Ideas and Opinions

This is a variation of the brainstorming technique which is often used in creative problem-solving. The listing technique obtains all of the students ideas on a topic before the discussion or evaluation of the ideas takes place.

The students are asked to follow these guidelines in listing their opinions:

(a) The students select someone from the group to write their suggestions on a flip chart.

(b) The students will give their ideas as quickly and as briefly as possible so they can be listed on the flip chart.

(c) During the listing phase, no evaluation or discussion of the points suggested is made.

(d) Only when the students no longer have any further ideas or when the instructor terminates the listing does the evaluation of the ideas begin. Each student then explains what he meant by the point he made, and other students give their opinions.

The students will find that some ideas have no value and they will be discarded quickly, others will stir a great deal of discussion.

The purpose of the listing is not to get a consensus but to get the students to talk about their views, knowledge and opinions. This pooling of knowledge gives them an opportunity to know the feeling of the group on a topic and is a good non-threatening discussion starter since they are free to give hunches and guesses. It also enables the instructor to assess the knowledge level of the group on the topic.

In most cases, many of the ideas the students suggest come back in the 'Provide Information' stage of the lesson. They realize that they have in themselves the elements of knowledge. The instructor can reinforce, systematize and organize the students' ideas with those provided in the lesson so that they are more readily usable by the students.

(2) Discussion

The discussion technique is a very useful and effective method in training. It gives an informal atmosphere to the learning group and it permits the students to explore, seek solutions to problems and test for consensus. The students can thus progress in their learning by comparing and relating the learning to their own previous knowledge. The discussion technique can be effective in helping students acquire new attitudes. Since the ideas will often come from the students, they are less threatening than if they come from the traditional authority figure.

The instructor can use effectively the discussion technique with both small groups and the full group.

The real advantage of the discussion technique is that it encourages and permits participation and involvement of the students in a learning experience.

Small Group

Full Group

Since students pool their knowledge and experiences, they readily learn from one another. They more readily accept the instructor in a discussion group than they would accept him as a lecturer.

The discussion technique has the drawback of being time consuming; however, the extra time may more than compensate in more relevant learning. Another limitation which must be controlled by the instructor is the domination of the discussion by a few group members or the inadvertent tendency of the instructor to start lecturing.

The discussion technique requires the group to be seated in a circle. Communication takes place more naturally and readily in a face to face setting.

In a group discussion, it is advisable that the instructor begin early to withdraw himself from the role of the active leader of the discussion. Depending on the group and the situation, the instructor's role may be primarily that of providing information.

As the group becomes familiar with the discussion technique, students can take turns at facilitating and moderating the discussion. They learn to encourage participation of fellow students and to make use of the instructor in clarifying points.

(3) Films and Filmstrips

16 mm films and filmstrips accompanied with sound recordings can serve as a powerful learning tool since they add sight as an additional dimension to learning, and provide a change of pace. Films can be used to depict situations which are otherwise difficult to illustrate. Many films related to this course are set in large businesses; the instructor must relate these to the types of business with which the students will likely be involved.

Prior to seeing the film, the students should be introduced to it. They should know what the film is about and what they should be looking for. The film should be discussed before viewing it so that it can be placed in the context of the lesson at hand. It is sometimes helpful to show the films in segments, each followed by discussion.

Following the viewing, the students should discuss their impressions of the film. They can relate this to the lesson material and to their own experiences.

(4) Cases

The cases used in the course are usually real situations adapted for a short presentation. They serve as stimuli and as discussion starters. Most of the cases have been simplified to eliminate excessive data.

Cases often help the students to develop their problem-solving skills through working with incomplete information. The students learn to make assumptions and look for possible alternative solutions. They should not be led to think there is only one correct answer. Rarely can a situation be classified objectively as right or wrong; there are usually many circumstances which will affect a person's decision.

If the students have some business experience, they might develop their own cases for discussion.

(5) Lecturettes

The student Readings cannot possibly be complete; the instructor will find it necessary to add to the lesson material with lecturettes, or short presentations interspersed with examples and illustrations and discussion.

It is very easy for an instructor to become so intent on the message he is delivering that he forgets the effect on his students, whose span of concentration during a lecture is quite short. The lecture approach may give the students the most information in the least time. However, unless the material is kept short and relevant to the students' experience, they can be turned off quickly, although they may keep the outward attentive postures.

(6) Projectuals

Overhead transparencies or projectuals are used throughout the course as a stimulus to encourage discussion, a visual to facilitate memory and as a summary of information.

The overhead projector should be turned on only when the instructor is referring to the projectual. The sight of the projectual distracts from the discussion if it is left on when it is not needed.

(7) Role-Playing

In many instances the students should be able to test their skill in handling the information which they have learned. Until they have tried to deal with certain situations they may not realize how difficult some are to handle.

Learning to Operate the Cash Register

Role-playing can reinforce learning and can provide an application for the new knowledge. Role-playing does not replace the actual experience of a real situation but it does give some simulated experience in dealing with difficult situations. If students are involved in planning some of the role-play situations themselves they can often contribute elements which reflect their environment and experiences.

Role-playing also provides for valuable involvement in topics which involve emotional aspects.

(8) Questioning Techniques

The use of questions can be a great help in encouraging involvement and participation in a group. Questions are also a means of checking on the students' comprehension. The following suggestions may be used as guidelines:

(a) Questions should not be asked in such a way that the student can answer with a yes or no.

(b) Questions should not be threatening to the student.

(c) Questions should not be a mere repetition of facts.

(d) Questions should encourage students to apply information to their own experiences.

(e) Questions can be asked to draw some individuals out who hesitate to participate in a group discussion.

The questioning technique can help the students develop confidence in themselves. It also helps develop the ability to organize ideas and to express them clearly in a group. It can also help students develop their own ideas rather than rely on instruction or reading materials.

In asking a question, the instructor should formulate the question to the whole group, pause briefly and then ask a specific student to answer. It is often necessary to use follow-up questions if the student is vague or uncertain in his answer. After the student has answered, the instructor should give the student positive support.

(9) Tours and Field Trips

Tours and field trips can make learning more relevant. A number of tours of businesses are suggested in the instructor's manual. Students may enjoy and learn a great deal from tours of native businesses, which should be incorporated into the course if distances permit.

Each tour or field trip should be carefully planned by the instructor and the students together. The instructor should have made arrangements with the businessman to whom he has explained the purpose of the trip. The students should prepare for the tour by determining what they will be looking for and what information they would like to obtain.

The students should be responsible for obtaining the information they need from the tour. It is desirable that the group sit down with the businessman and exchange ideas and questions.

Following the tour, the instructor should arrange for an evaluation session. He may ask for a written report which the students can give him prior to a discussion or they may go directly into discussing what they have learned and what impressions they have of the tour. If the report approach is used, the students should be informed of this before they leave for the tour.

Students normally gain a great deal from the tours if they are well-prepared and taken as a learning experience. The tours help the students see the relevancy of the lessons and help them integrate the learning. The tours are also useful in building the students' self-confidence.

(10) Resource People

The contact of the students with resource people and visitors who come into the group can be very valuable learning experiences.

The type of people who are invited into the group can include:

(a) Professional people to speak on special topics such as law, accounting, banking, income tax or other topics.

(b) Government personnel to discuss programs and topics of interest to the students.

(c) Any businessman who might provide motivation or ideas for students.

(d) Native businessmen, chiefs or others connected with native business projects, economic development or programs which contribute to native betterment.

(e) Representatives of native associations.

The benefits of these visits are many.

(i) The students can gain much by coming in contact with people with whom they will be doing business in the future.

(ii) The visitors and resource people can provide information which only a specialist in the field knows.

(iii) The students gain confidence in their ability to ask questions and obtain information they want.

(iv) The contact with visitors and resource people reinforces the learning the students have gained. The fact that a businessman makes a point often strengthens it in the minds of the students.

(v) It helps the integration of material; the students see problems in context.

(vi) It enables the students to keep up to date with recent developments.

(vii) The visit of native businessmen can provide success models and be a strong motivating force.

The students should know something about the person they are going to meet, and should have an opportunity to prepare for his visit.

Following the visit the instructor should provide an opportunity for the students to evaluate the visit: what did they learn? of what value was it? could they have obtained more information? How? The students should also evaluate their own skills in obtaining information and interviewing.

It may happen that students will become quite outspoken with some visitors. Students will learn with experience the best strategy to use.

It is not always possible to get the resource people at the time desired. It is best to have the students meet the resource people associated with lessons after they have studied the lesson. They can make better use of the resource person and learn more by having some prior knowledge of the topic.

The instructor should benefit by the passing through the community of a resource person to ask him to come in and spend some time with the students. This will expand knowledge and interest as well as develop self-confidence and interviewing capabilities.

(11) Public Speaking

In addition to developing the students' ability and confidence in public speaking, the technique can be used to have them make oral reports to the group, explain the course to visitors, etc. The use of videotape playback is very useful in providing instant feedback to students.

(12) Exercises

The accounting exercises and other exercises simulate real business situations. Students normally show a great interest in the logical outcome of accounting exercises and enjoy the challenge of balancing the books.

The exercises are an opportunity to foster co-operation within the group. Students who have completed their exercises correctly can help other students who are having difficulty.

(13) Projects

The projects are a real opportunity for students to integrate their learning and to realize the need for more knowledge and skills training. It is often a shock to the students to discover that co-operation and understanding are easier under class conditions than in the project. Frustration and stress can develop. To many students, personnel problems and communication problems seem quite remote until they start a project of their own.

The projects are an opportunity for the students to see the need for the management functions: planning, organizing, directing and controlling, and the interrelationship between the management functions and the various subject areas.

Seasons Greetings
Seasons Greetings
Seasons Greetings

Christmas Card Project

During the projects the students will gain experience in decision-making and will become aware of the risk (even if it is small) which exists in business.

(14) On-the-Job Training

If circumstances permit, a period of on-the-job training in some business can be a worthwhile learning experience for the student. The work experience provides a basis for relating new learning. If this is not possible during the course, it is still worthwhile to arrange on-the-job training at the end of the course before the students start businesses of their own.

The choice of the co-operating businessmen is important, as they can have quite an impact on the student and can help greatly in his learning and motivation.

4. RESOURCES REQUIRED

a. The Physical Setting

Research has shown that the physical setting in which training takes place affects student behaviour and learning. The instructor should consider these aspects in planning for the course.

(1) Room: The room should accommodate a group of 20 students. The floor space should permit a variety of seating arrangements for different group activities.

(2) Lighting, heating and ventilation: The room should have good lighting and enough electrical outlets for the variety of equipment needed. The heating should come from a dependable central source. The ventilation system should provide for fresh air in order to clear stale air and smoke from the room.

(3) Furnishings: The room should have enough lounge-type chairs for the students, the instructor and visitors. The chairs need not be expensive but should be comfortable for the students who sit for long periods. Work tables which can be rearranged for different types of groups are needed. Trapezoid tables serve well.

(4) Coffee Area, Library: The training area should have a coffee area, a small library and display area for business magazines, local and business newspapers. The area should also have a bulletin board. These need not be elaborate but should provide the students with an area where they can relax, read and become familiar with business papers and magazines. Games such as decks of cards, checkers, chess, etc. help the students pass the time during noon hours and coffee breaks.

(5) Location of the Training Area: It is advisable to conduct the course in an area separate from other programs where more traditional methods of teaching are used. Since the aim is to treat the small business management students as future managers, they are given more leeway and freedom than might be acceptable in a more typical school setting. The informality between instructor and students could be disruptive to other students where greater student discipline and formality are required. For example, it is recommended that the small business management instructor be on a first-name basis with his students.

The facilities need not be as elaborate as those in the photo. A community hall or a store front type setting is satisfactory providing the facilities are comfortable. It is, however, recommended that training be conducted in an urban setting whenever possible so students have ample opportunity to learn by seeing. Students become more conscious of their surroundings as they progress in the course, and an urban setting will provide more opportunity for observing new business methods than in a rural setting.

b. Audio Visual and Other Equipment

The following equipment is used in the course.

(1) Cassette recorder (cost approximately $100.00). The cassette recorder is used in taping cases for presentation to the class, thus providing for a change of pace. Students can also make use of the tape recorder in taping certain lessons at which visitors or resource people were present, or to record interviews.

(2) The overhead projector (cost approximately $140.00). The overhead is used to show the prepared projectuals. It can also be used with a roll of clear plastic to illustrate the calculations of problems or to draw illustrations to facilitate explanations.

(3) 16 mm film projector (cost approximately $650.00). The film projector is necessary to show the fims in the course. It can often be shared with other classes or rented from a film council.

(4) Screen (cost approximately $50.00). A screen is essential. The type attached to the wall by a bracket is most convenient since it is out of the way.

(5) Videotape camera, recorder and monitor (cost approximately $2,000.00). Optional. This piece of equipment is not absolutely necessary but is very useful in providing students with instant feedback in role-playing situations, public speaking and general group dynamics. Arrangements can often be made to borrow or rent this equipment as needed.

(6) Turntable for records (cost approximately $35.00).

(7) Other equipment

  (a) Two flip charts (cost approximately $40.00).

  (b) Cash register (rental approximately $25.00/month). It is needed for one month only.

  (c) Adding machine (cost $125.00). The adding machine is needed throughout the course. It can be either purchased or rented.

  (d) Typewriters (optional). It may be useful for the students to learn to type. In some cases, the students have used their noon hours and spare time before and after class for this. A few typewriters can be rented for this purpose. A schedule should be posted outlining the hour alloted each student desiring to learn to type.

c. Films, projectuals, books, supplies

The following pages list the films, projectuals, books and supplies used throughout the course.

(1) Projectuals The overhead transparencies can be purchased from Saskatchewan Newstart Inc., Box 1565, Prince Albert, Saskatchewan.

(2) Films and filmstrips The films listed can be rented from the source indicated or from a number of other film distributors. Considerable prior planning is required to have the films reach you at the desired time.

(3) Library books The instructor should have a reference library which will permit him to do supplementary reading or to refer students who are interested in further study.

All the books listed need not be purchased. However a number of books within each subject area should be purchased. The several series from the Small Business Administration should all be purchased. They are inexpensive and provide much information on small business.

The series which should be purchased are:-

- Management Aid for Small Manufacturers
- Small Marketers Aids
- Small Business Research Series
- Small Business Management Series
- The Starting and Managing Series

These series can be obtained by ordering from

Superintendent of Documents,
U.S. Government Printing Office,
Washington 25, D.C.

(4) Supplies Most of the supplies required are readily available from a stationary store. It is suggested the instructor check a number of lessons ahead to assure himself that he has all the supplies required.

(5) Approximate lesson time The schedule of estimated lesson time is provided for a guide. Lessons may vary a great deal from the time indicated.

LIST OF OVERHEAD PROJECTUALS

CODE	LESSON	PROJECTUAL
MP2	Introduction to the Course	1. The Hierarchy of Human Needs 2. Deficiencies, Needs & Desires
MP3	The Organization	1. What Is An Organization? 2. Contributions To & From Business
MP4	What Is Management?	1. The Many Hats Worn By the Owner-Manager 2. The Functions of Management
MP5	What Is Small Business?	1. Small or Big Business
BC1	The Communication Process	1. Communication Process 2. Types of Communication 3. Methods of Communication 4. Reasons For Failure in Communications
FAB6	Recording Revenues & Expenses	1. The Sales Slip 2. The Pay Out Voucher
FAB9	Elementary Profit & Loss Statement	1. Profit & Loss Statement (no overlay) 2. Profit & Loss Statement (stacks $ bills) 3. Profit & Loss Statement (3 overlays) 4. Standard Form of Profit & Loss Statement
FAB10	Elementary Balance Sheet	1. What A Balance Sheet Means 2. The Balance Sheet
PF1	Introduction to Family Money Management	1. Keep Your Hands Out of The Pockets of Your Business 2. A Need For Family Money Management
PF2	Family Budgeting:	1. Outline of a Family Budget 2. What Is a Family Budget
BC3	Writing Business Letters & Reports	1. Kinds of Written Communication 2. Parts of a Business Letter 3. Parts of a Written Report

CODE	LESSON	PROJECTUAL
BC4	Speaking in Business	1. Stage Fright 2. Practice, Practice, Practice 3. More Than Words 4. Speak Up, It Will Be Easier Next Time 5. You Can Speak 6. Some Speaking Don'ts 7. Nervous Speech Habits
MKT1	Introduction to Marketing	1. Definition of Marketing 2. Fish Marketing 3. The Marketing Jobs
MKT2	What Is a Market?	1. What Is a Market?
MKT3	Sizing Up a Market Opportunity	1. Steps In Sizing Up a Market
BL3	Proprietorships & Partnerships	1. The Proprietorship 2. The Partnership
BL4	Limited Companies & Co-operatives	1. The Limited Company (Corporation) 2. The Co-Operative
PM2	What Is Personnel Management?	1. Employer or Employee
PM3	Different Types of Leaders	1. What Kind of Boss Are You? 2. Different Types of Bosses
PM5	Establishing the Need For New Employees	1. We Need More Employees
PM9	Training Personnel	1. Introduction to the Job 2. Three Questions On Training 3. Steps In Training
MKT5	Middlemen	1. Channels of Distribution
MKT6	Purchasing	1. The Buying Jobs
FAB13	Bookkeeping Reviewed	1. Bookkeeping Reviewed
MKT7	Stockkeeping	1. The Stocking Jobs
PROD7	Production Costs	1. Co-ordinate Graph
MKT9	Promoting Your Business	1. Forms of Promotion
MKT10	Advertising	1. When Making An Ad...

CODE	LESSON	PROJECTUAL
MKT12	Merchandise Layout & Display	1. Store Layout & Display
FAB15	Should You Sell on Credit?	1. Where Have the Customers Gone?
FAB16	Recording Credit Sales	1. The Sales Slip
FAB21	Banking	1. The Deposit Slip 2. The Cheque 3. Bank Reconciliation Statement
FAB23	Inventory	1. Cost of Goods Sold 2. Inventory Sheet
PF4	Consumer Credit	1. Buy Now - Pay Later
PF5	Calculating Interest	1. Simple Interest Formula
PM11	Communicating With Employees	1. Two Way Communication 2. Steps in Giving Orders to Workers 3. Objectives of Communications
PM12	Be A Good Listener	1. Are You Listening? Why Not? 2. These Things Cause Poor Listening 3. Good Listening Is Good Selling
PM14	The Grapevine	1. What Is the Grapevine?
PM15	Disciplining Your Employees	1. How To Discipline Your Employees
PM16	Different Pay Plans	1. Types of Pay Plans
FAB29	Depreciation	1. Straight Line Depreciation 2. Constant Percentage Depreciation 3. Comparison Between Straight Line & Constant Percentage Depreciation 4. Percentage of New Value Depreciation
PF6	Personal Insurance	1. Types of Personal & Financial Loss

LIST OF CASES

CODE	LESSON	CASES
MP4	What Is Management?	1. Many Irons In the Fire
PM1	Why People Work	1. Money Isn't Everything
BC1	The Communication Process	1. Where Are My Parts?
BC2	Communicating in Business	1. Getting the Business Going - Communications 2. Dickson's Outfitting Camp
MP6	Success & Failure in Business	1. Lee's Service Station
FAB3	What Is a Business Worth?	1. Bill Duran Buys A Store
FAB5	Recording Business Transactions	1. Bill Duran Gets A Loan
FAB6	Recording Revenues & Expenses	1. Bill Duran Opens For Business
FAB7	Taking the Trial Balance	1. Bill Duran Checks His Books
PF1	Introduction To Family Money Management	1. Robbing the Business
PF3	The Importance of Saving	1. Mr. X's Family Budget
MKT2	What Is a Market?	1. White's Hardware 2. Paul's Problem
MKT3	Sizing Up a Market Opportunity	1. Locating a Store
BL2	Introduction to Different Forms of Business Organization	1. Organizing a Business
PROD2	What Product Should You Produce	1. What Can Be Done?
PROD3	Plant Location	1. Where Shall We Locate?
PROD4	Plant Layout & Work Simplification	1. Where Does the Equipment Go?
PM2	What Is Personnel Management	1. Joe Hires A Helper 2. Disorganized & Going Nowhere

CODE	LESSON	CASE
PM3	Different Types of Leaders	1. Different Types of Bosses 2. Two Ways To See Workers
PM5	Establishing the Need for New Employees	1. Bill Kelp Needs Help
PM6	The Search for New Employees	1. Hiring the Right Man
PM7	Interviewing Job Applicants	1. Selecting the Best Man for the Job (Part I & II)
FAB13	Bookkeeping Reviewed	1. Jacob Stone
MKT7	Stockkeeping	1. Checking Merchandise
FAB14	Recording Your Purchases	1. Accounts Payable
PROD5	Obtaining & Maintaining Equipment	1. Buying Equipment
PROD6	Quality Control	1. How Can Quality Be Improved
PROD7	Production Costs	1. What Does It Cost To Make
PROD8	Break-Even Analysis	1. Break-Even Production
MKT8	Setting Prices	1. Louis' Rifle
MKT10	Advertising	1. Advertising Decisions
MKT12	Merchandise Layout & Display	1. Bill's Two Layouts
FAB15	Should You Sell on Credit?	1. The Case of Mrs. Lowe 2. John Smith's Credit Decisions
FAB16	Recording Credit Sales	1. Credit Sales
FAB17	Recording Cash Receipts	1. Bill Duran's Cash Receipts
FAB19	Recording Cash Payments	1. Bill Duran's Cash Payments
FAB20	Handling & Recording Cash	1. How Do I Keep Track of My Cash
FAB25	Financial Statements	1. Blair's Store
PF4	Consumer Credit	1. Mr. X's Family Budget - Part 2

CODE	LESSON	CASE
PM10	Giving Workers Responsibility & Measuring Their Performance	1. A One Man Show
FAB30	Year-End Adjustments	1. Year-End Adjustments
FAB31	Preparing Financial Statements	1. Mic Mac Market
FAB38	Working Capital	1. J.H. Johnson
FAB40	The Cash Budget	1. Preparing A Cash Budget
FAB41	The Operating Budget	1. Masterman's Operating Budget
FAB42	Projected Financial Statements	1. John Small I and II
PF6	Personal Insurance	1. Miller's Misfortunes
PF7	Your Will and Estate	1. December Disaster

LIST OF EXERCISES

CODE	LESSON	EXERCISE
FAB2	What Is Bookkeeping, Accounting & Financial Management?	1. Management Sales
OP2	Filing	1. The Filing Exercise
FAB9	Elementary Profit & Loss Statement	1. Steve's Outfitting
FAB10	Elementary Balance Sheet	1. John LaPointe's Troubles
MKT11	Salesmanship	1. Rating Qualities Needed in Selling
FAB17	Recording Cash Receipts	1. Payments on Account
FAB18	Sales Tax	1. Taxable/Non-taxable Sales
FAB21	Banking	1. Recording Deposits 2. Recording Cheques 3. Bank Reconciliation Statement
FAB22	The General Statement	1. Business Transactions
FAB23	Inventory	1. Calculating the Cost Value of Inventory 2. Inventory Quantity & Price List
FAB24	Adjustments for Inventory	1. Holmes' General Store
PM10	Giving Workers Responsibility & Measuring Their Performance	1. Too Many Jobs To Do
FAB26	Payroll Deductions	1. McNichol's Store
FAB27	Recording the Payroll	1. The Payroll Register
FAB28	The Synoptic Journal	1. The Synoptic Journal
FAB29	Depreciation	1. Depreciation Problems
FAB32	Year-End Reporting	1. Jonathan Smith
FAB33	Personal Income Tax	1. Personal Income Tax

CODE	LESSON	EXERCISE
FAB34	Business Income Tax	1. Business Income Tax
FAB36	Analyzing the Profit & Loss Statement	1. Mic Mac Market
FAB37	Analyzing the Balance Sheet	1. Mic Mac Market
FAB38	Working Capital	1. Mic Mac Market
PROD10	Is Production Management Necessary?	1. Checklist of Production Management Tasks, Jobs & Decisions

LIST OF RESOURCE PERSONS & FIELD TRIPS

CODE	LESSON	RESOURCE PERSON/TRIP
PF2	Family Budgeting:	Resource person from bank (optional)
BC4	Speaking in Business	Resource person from Toastmaster's Club or competent public speaker
MKT3	Sizing Up a Market Opportunity	Tour small retail business
PM8	Selecting the Best Man For the Job	Resource person on interviewing - school administrator, businessman, Canada Manpower counsellor
OP5	Duplicating	Visit an office to use Spirit & Stencil Duplicator Resource person to demonstrate machines
MKT5	Middlemen	Tour wholesale outlet
BL7	Special Contracts: The Sale of Goods	Resource person - lawyer or person knowledgeable on contracts
MKT11	Salesmanship	Resource person - owner manager of small retail business
MKT12	Merchandise Layout & Display	Tour of local retail business
PF4	Consumer Credit	Resource person - discuss consumer credit & savings
PM17	Labour Legislation	Resource person - Department of Labour (optional)
MKT13	Analyzing Your Market	Resource person - experienced in sales forecasting, market survey & analysis
PROD9	Planning & Scheduling Production	Tour of local producation operation

CODE	LESSON	RESOURCE PERSON/TRIP
BL8	Special Contracts: Business Insurance	Resource person - insurance agent or other person knowledgeable in the insurance field
BL9	Ownership & Transfer of Real Estate	Resource person - discuss land registration (optional)
BL11	Mortgages	Tour - Land Titles office
PF7	Your Will & Estate	Resource person - relate experiences on estates, point out features of wills, etc.
BL13	The Indian Act	Resource person - Department of Indian Affairs

LIST OF FILMS AND FILMSTRIPS

CODE	LESSON	TITLE	TIME	RENTAL COST	*SOURCE
MP1	Introduction to the Course	- The Patuanak Story (Slides)	10 min.	4.00	Saskatchewan Newstart Inc.
BC1	The Communication Process	- Berfunkel	9 min.	3.35	Univ. of Alberta
PF1	Introduction to Family Money Management	- Using Money Wisely	18 min.	3.00	Western Co-operative College
PF2	Family Budgeting	- Getting Your Moneys Worth	film-strip		Education Films Distributor
PF3	The Importance of Saving	- A Penny Saved	14 min.	3.00	Western Co-operative College
		- Saving To Reach Your Goal	film-strip	*7.50 pp	Education Films Distributor
BC4	Speaking in Business	- Is There Communication When You Speak	15 min.	2.00	Univ. of Alberta
		- Telephone Courtesy	15 min.	Free	National Film Board
BC5	Conducting Business Meetings	- Parliamentary Procedure	22 min.	Free	National Film Board
MKT1	Introduction to Marketing	- Fisheries of the Great Slave	20 min.	Free	National Film Board
PROD4	Plant Layout & Work Simplification	- Physical Facilities	10 min.	6.50	McGraw-Hill Tests Film Service
		- Methods Analysis (pre view)	10 min.	6.50	McGraw-Hill Tests Film Service

*Addresses for these distributors will be found at the end of this list.
*Purchase Price.

CODE	LESSON	TITLE	TIME	RENTAL COST	*SOURCE
PM3	Different Types of Leaders	- Supervising Workers on the Job	10 min.	Free	National Film Board
		- Supervisor As a Leader - Part I	14 min.	Free	National Film Board
		- Supervisor As a Leader - Part II	13 min.	Free	National Film Board
		- How Good Is a Good Guy?	10 min.	2.75	University of Alberta
		- Late for Work (videotape)	3 min.	2.50	Saskatchewan Newstart Inc.
PM4	Morale in Your Business	- Power of Store Morale	Film-strip	*15.00pp	Merchandiser Film Production
PM9	Training Personnel	- Introducing the Worker to His Job	16 min.	1.75	University of Alberta
		- Introducing the Worker on His Job	14 min.	1.50	University of Alberta
		- Pattern of Instruction	21 min.	3.35	University of Alberta
		- Serving Food	10 min.	Free	Communicable Disease Center
MKT7	Stockkeeping	- Receiving, Marking & Checking Merchandise	Film-strip	7.50	Educational Film Distributors Ltd.
PROD6	Quality Control	- Quality Control	10 min.	6.50	McGraw-Hill Tests Film Service
MKT8	Setting Prices	- Shoplifting			University of Alberta
		or			
		The Invisible Shopper	15 min.	3.00	Western Cooperative College
		- Get on the Ball - Stop Shrinkage	film-strip	*15.00pp	Merchandiser Film Production

*Addresses for these distributors will be found at the end of this list.
*Purchase Price.

CODE	LESSON	TITLE	TIME	RENTAL COST	*SOURCE
MKT9	Promoting Your Business	- I Just Work Here	10 min.	3.00	University of Alberta
MKT11	Salesmanship	- Salesmanship: Approach	10 min.	Free	National Film Board
		- Salesmanship: Making a Sale	14 min.	2.75	University of Alberta
		- Through a Mirror	27 min.	3.00	Film Library University of Sask.
		- Johnnie Series (optional)	film-strip	*15.00pp	A/V Educational Service
MKT12	Merchandise Layout and Display	- Visual Merchandising	film-strip	*15.00pp	A/V Educational Service
PF4	Consumer Credit	- Making Credit Work for You	film-strip	7.50	Educational Film Distributors Ltd.
		or			
		- You Take Credit	film-strip	Free	Association - Sterling Films
		or			
		- Wise Use of Credit	10 min.	Free	Associates Industrial Films
PM10	Giving Workers Responsibility and Measuring Their Performance	- Breaking the Delegation Barrier	30 min.	3.50	University of Alberta
PM11	Communicating with Employees	- The Communications Case Book	8 min.	2.50	University of Alberta
		- The Trouble With Words	15 min.	Free	National Film Board
		- Communications Feedback	15 min.	Free	National Film Board
		- Overcoming Resistance To Change	28 min.	Free	National Film Board

*Addresses for these distributors will be found at the end of this list.
*Purchase Price.

CODE	LESSON	TITLE	TIME	RENTAL COST	*SOURCE
PM12	Be a Good Listener	- Person to Person Communication	14 min.	Free	National Film Board
		- Are You Listening	12 min.	Free	National Film Board
PM14	The Grapevine	- The Grapevine	10 min.	Free	National Film Board
PM15	Disciplining Your Employees	- Discipline: Reprimanding	10 min.	Free	National Film Board
PROD9	Planning & Scheduling Production	- Production Control Part I		6.50	McGraw-Hill Tests Films Services
		- Production Control Part II		6.50	McGraw-Hill Tests Films Services
PF6	Personal Insurance	- Patters for Protection	film-strip	*15.00pp	A/V Educational Service
MP15	Business and the Community	- People at Dipper	18 min.	Free	National Film Board
		- Indian Dialogue	28 min.	Free	National Film Board

*Addresses for these distributors will be found at the end of this list.
*Purchase Price.

ADDRESSES OF FILM DISTRIBUTORS

Associates Industrial Films,
33 Adelaide St. W.,
Toronto 133, Ontario.

Association-Sterling Films,
333 Adelaide St. W.,
Toronto 133, Ontario.

A/V Educational Service,
Motion Picture Division,
University of Minnesota,
Westbrook Hall,
Minneapolis 14, Minnesota.

Communicable Disease Centre,
U.S. Public Health Service,
Chambler, Georgia.

Education Films Distributors,
191 Eglinton Ave E.,
Toronto 12, Ontario.

Film Library,
University of Saskatchewan,
Saskatoon, Saskatchewan.

McGraw-Hill Tests Film Service,
McGraw-Hill Co. of Canada Ltd.,
330 Progress Ave.,
Scarborough, Ontario.

Merchandiser Film Production,
419 Park Ave S.,
New York, New York 10016.

National Film Board,
Your nearest office.

Saskatchewan Newstart Inc.,
Box 1565,
Prince Albert, Sask.

University of Alberta,
Education Media Division,
Department of Extension,
Edmonton, Alberta.

Western Co-operative College,
241 - 105 Street,
Saskatoon, Saskatchewan.

ADDITIONAL LIST OF FILMS - NOT PART OF LESSONS

TITLE	TIME	RENTAL COST	SOURCE
Accounting: Basic Procedures	11 min.	1.25	University of Alberta
Business Accounting	5 film-strips	1.50	Western Co-operative College
Gross Margin Control	20 min.	3.00	Western Co-operative College
Are You Listening?	12 min.	Free	National Film Board
Effective Listening	17 min.	2.00	University of Alberta
Eight Parts of a Business Letter	12 min.	1.25	University of Alberta
Fundamentals of Public Speaking	7 min.	2.00	Canadian Film Institute
Rumour	7 min.	3.00	University of Saskatchewan
Writing Better Business Letters	10 min.	1.25	University of Alberta
Poor Pay More	60 min.	6.00	University of Alberta
Using Money Wisely	18 min.	3.00	Western Co-operative College
Using Your Money	6 film-strips	1.50	Western Co-operative College
Wise Buying	10 min.	1.25	University of Alberta
Your Money Matters	film-strip	Free	Association-Sterling Films
How to Conduct a Meeting	12 min.	3.70	University of Alberta
Parliamentary Procedure	21 min.	Free	National Film Board
How to Keep a Job	10 min.	1.25	University of Alberta
Discipline: Giving Orders	15 min.	1.75	University of Alberta
Every Minute Counts (absenteeism)	10 min.	1.25	University of Alberta
The Making of a Decision	32 min.	4.50	University of Alberta

Additional List of Films - not part of lessons (cont.)

TITLE	TIME	RENTAL COST	SOURCE
Maintaining Quality Standard	10 min.	1.25	University of Alberta
Office Courtesy and Meeting the Public	12 min.	1.25	University of Alberta
Office Etiquette	16 min.	2.25	University of Alberta
Placing the Right Man on the Job	13 min.	1.25	University of Alberta
To Market to Market (Place of Wholesales)	11 min.	1.25	University of Alberta
A Manner of Speaking (Telephone courtesy)	28 min.	1.25	University of Alberta

ADDRESSES FOR PUBLISHERS

SMALL BUSINESS MANAGEMENT COURSE REFERENCES

Adult Education Association
810 - 18 Street N.W.
WASHINGTON, D.C.

Addison-Wesley (Canada) Ltd.
36 Prince Andrew Place
P.O. Box 580
DON MILLS, Ontario

Allyn and Bacon
In Canada:
MacMillian Co. of Canada Ltd.
70 Bond Street
TORONTO, Ontario

Canadian Institute Chartered Accountants
69 Bloor Street East
TORONTO 5, Ontario

Charles E. Merrill
125 Norfinch Drive
DOWNSVIEW, Ontario

Crowell Collier & MacMillian
539 Collier-MacMillian Drive
GALT, Ontario

Cuna International Inc.
MADISON
Wisconsin 53701

Dartnell Corporation
4660 Ravenswood
CHICAGO, Illinois 60640

Dept. Indian Affairs & Northern Development
Centennial Towers
OTTAWA, Ontario

Harcourt Brace & World
757 - Third Avenue
NEW YORK, New York 10017

Harper and Row
In Canada:
Fitzhenry & Whiteside Ltd.
150 Lesmill Road
DON MILLS, Ontario

Howard Business Review
Should Be:
Harvard Business Review
Subscription Service Dept.
108 - 10 Street
DESMOINES, Iowa 50305

Irwin, Richard D.
OR
Irwin Dorsey Ltd.
In Canada:
General Publishing Co. Ltd.
30 Lesmill Road
DON MILLS, Ontario

Information Canada
Mall Centre
393 Portage Avenue
WINNIPEG, Manitoba

MacMillian Co. of Canada Ltd.
70 Bond Street
TORONTO 2, Ontario

McGraw-Hill Ryerson Ltd.
330 Progress Avenue
SCARBOROUGH, Ontario

Prentice Hall of Canada Ltd.
1870 Birchmount Road
SCARBOROUGH, Ontario

Queen's Printer
OTTAWA
Ontario

Sir Isaac Pitman (Canada) Ltd.
383 Church Street
TORONTO 2, Ontario

Small Business Administration
  Publications
Superintendent Documents
Government Printing Office
WASHINGTON, D.C. 20402

South Western Publishing Co.
  Distributors:
  W.J. Gage Ltd.
  1500 Birchmount Road
  SCARBOROUGH, Ontario

University of Texas
Instructional Materials Service
Division of Extension
AUSTIN, Texas   78712

University of Minnesota
MINNEAPOLIS
Minnesota 55455

Wiley, John & Sons Canada Ltd.
22 Worcester Road
REXDALE, Ontario

LIST OF LIBRARY BOOKS FOR INSTRUCTOR REFERENCE

AUTHOR	TITLE	PUBLISHER	PRICE	DATE
*Adult Education Association	Streamlining Parliamentary Procedure	Adult Education Association	.60	1957
*Anger, Wm. & Anger, H.D.	Summary of Canadian Commercial Law	Sir Isaac Pitman		
	- text		4.00	
	- questions		1.50	
	- answers		1.50	1962
*Anthony, Edward L.	"Innovation: How Much Is Enough" Management Aids for Small Manufacturers Annual #13	Small Business Administration Publications	.50	1967
	"Appraising the Market For the Services You Offer" Small Marketers Aids Annual #2	Small Business Administration Publications	.40	1960
Aspley, John, Cameron, ed.	Office Administration Handbook	Dartnell Corporation	21.50	1967
*Archer. Maurice	An Introduction To Canadian Business	McGraw-Hill Book Company of Canada Limited	9.50	
	-teacher's manual		1.15	1967

*Indicates books which will be most useful.

AUTHOR	TITLE	PUBLISHER	PRICE	DATE
*Borden, Richard C.	Public Speaking As Listeners Like It	Harper and Row	3.95	1935
*Boynton. Lewis D. et al	Twentieth Century Bookkeeping & Accounting	South-Western Publishing Co.	6.36	1968
Brightly, Donald S. et al	Complete Guide To Financial Management for Small & Medium Sized Companies	Prentice Hall	19.95	1970
*Broom, Halsey & Longenecker, Justin G.	Small Business Management 3rd edition	South-Western Publishing Co.	10.50	1971
*Brown, N.E.	Consumer Education revised edition	MacMillan Company of Canada Ltd.	1.25	1967
Brown, Stanley M. & Doris, Lillian	Business Executive's Handbook 4th edition	Prentice Hall	15.00	1953
*Bruce, M. M.	"Human Relations In Small Business" Small Business Management Series, #3	Small Business Administration Publications	.30	1969
*Bruce, M.M.	"Managing For Better Morale" Small Marketers Aids, #4	Small Business Administration Publications	.35	1962
*Buffa, Elwood S.	Modern Production Management. 2nd edition	John Wiley & Sons	13.25	1969
*Bursk, Edward C.	"Pointers on Meeting Competition" Management Aids for Small Manufacturers. Annual #10	Small Business Administration Publications	.35	1964

AUTHOR	TITLE	PUBLISHER	PRICE	DATE
*Canadian Institute Chartered Accountants	Management Aids for the Smaller Company	Canadian Institute Chartered Accountants		1962
*Canadian Institute Chartered Accountants	New Concepts in Leasing	Canadian Institute Chartered Accountants	3.00	1969
*Cornwell, Arthur	Sales Potential and Market Shares	Small Business Administration Publishers		1968
*Chapman, F.A.R.	Fundamentals of Canadian Law	McGraw-Hill Book Company of Canada Ltd.	4.95	1965
*Department of Education in Ontario	Starting and Operating A Business	Queen's Publishers		1971
*Department of Labour	Provincial Labour Standards	Queen's Printer		
*Department of Manpower & Immigration & Davies, R.V.	Success and Failure Factors of Small Business	Information Canada		1967
*DeSpelder, Bruce E.	"Management Planning for Sound Growth" Management Aids for Small Manufacturers #9	Small Business Administration Publishers	.35	1963

AUTHOR	TITLE	PUBLISHER	PRICE	DATE
Dickson, Franklyn J.	Successful Management of the Small & Medium Sized Business	Prentice Hall	39.95	1971
*Douglas, Lathrop	"Designing Small Plants for Economy & Flexibility" Management Aids for Small Manufacturers #13	Small Business Administration Publications	.40	1967
Durand. Robert Y.	Business: Its Organization Management & Responsibility	Prentice Hall	10.95	1958
*Elliot, John M.	"Employee Selection & Placement Methods for Small Plants" Management Aids for Small Business #1	Small Business Administration Publications	1.25	1958
*England, Wilbur B.	The Purchasing System	Richard D. Irwin	5.10	1967
Federal Electric Corporation	How To Write Effective Reports	Addison-Wesley Publishing Co.	4.95	1965
*Fleck, J.S.	"Figuring & Using Break-Even Points" Management Aids for Small Business #2	Small Business Administration Publications	.55	1956

AUTHOR	TITLE	PUBLISHER	PRICE	DATE
*Flippo, Edwin B.	Management: A Behavioral Approach. 2nd edition	Allyn and Bacon	10.95	1970
*Fulton, Maurice	"New Factors In Plant Location" Vol. 49 #3	Howard Business Review	2.50	1971
Garrett. Leonard J. & Silver, M.	Production Management Analysis	Harcourt. Brace & World	10.95	1966
*Goodpasture. Bruce	"Building the Right Reputation" Small Marketers Aids #7	Small Business Administration Publications	.50	1965
*Greene, Mark R.	"Insurance & Risk Management for Small Businesses" Small Business Management Series #30	Small Business Administration Publications	.40	1970
*Harrison, N.T.	"Rented Tools Can Improve Efficiency" Technical Aids for Small Manufacturers	Small Business Administration Publications		1962
*Hill, Richard M.	Profit By Your Wholesalers Services	Small Business Administration Publications		
Howard, John A.	Marketing Theory	Allyn and Bacon	5.95	1965
*Huchobee. June	Communication in Distribution	University of Texas		1968

AUTHOR	TITLE	PUBLISHER	PRICE	DATE
Hastings. Paul G.	Introduction to Business	McGraw-Hill Book Company of Canada Ltd.	10.50	1968
*Jordahl, Edna K.	Managing Your Future Pt. 4 - Family Budgeting	University of Minnesota		1962
*Keith, Lyman A. & Gubellini, Carlo E.	Introduction to Business Enterprise. 3rd edition	McGraw-Hill Book Company of Canada Ltd.	10.70	1971
*Kelley, Eugene J.	Marketing: Strategy & Functions	Prentice Hall	2.50	1965
*Kelley, Pearce C. et al	How To Organize & Operate A Small Business. 4th edition	Prentice Hall	11.95	1968
Kotler, Philip	Marketing Management: Analysis Planning & Control. 2nd edition	Prentice Hall	12.95	1972
*Krentzman, Harvey A.	Managing for Profits	Small Business Administration Publications	.65	1968
*Lasser. Jacob K.	How To Run A Small Business. 3rd edition	McGraw-Hill Book Company of Canada Ltd.	8:95	1963
*Lobingier, John	Business Meetings That Make Business	Crowell Collier & MacMillan	1.50	1969

AUTHOR	TITLE	PUBLISHER	PRICE	DATE
*Loen, Ernest L.	"Personnel Management Guides for Small Business" Small Business Management Series #26	Small Business Administration Publications	.25	1961
Longenecker, Justin G.	Principals of Management & Organizational Behavior 2nd edition	Charles E. Merrill	10.50	1969
*Loren, Bernice	Effective Public Speaking	Crowell Collier & MacMillan	1.95	1963
Matthews, John B. et al	Marketing: An Introductory Analysis	McGraw-Hill Book Company of Canada Ltd.	10.95	1964
*McCarthy, E. Jerome	Basic Marketing: A Managerial Approach 4th edition	Irwin Dorsey Ltd.	12.25	1971
McNaughton, Wayne L., et al	Introduction to Business Enterprise. 2nd edition	John Wiley & Sons	9.95	1970
*Miller, Raymond W.	"Public Relations for Small Business Owners" Small Marketers Aids #3	Small Business Administration Publications	.40	1961
*Moore, Plasco G.	Principles of Merchandise Display	University of Texas		1967
Musselman, Vernon A & Hughes, Eugene H.	Introduction to Modern Business: Analysis & Interpretation. 6th edition	Prentice Hall	10.95	1972

AUTHOR	TITLE	PUBLISHER	PRICE	DATE
Newman, Dorthy M. et al	Canadian Business Handbook 2nd edition	McGraw-Hill Book Company of Canada Ltd.	13.95	1967
Owens, Richard N.	Management of Industrial Enterprise. 6th edition	Richard D. Irwin Inc.	14.95	1969
Pessemier, Edgar A.	New Product Decisions: An Analytical Approach	McGraw-Hill Book Company of Canada Ltd.	3.95	1966
*Prindle, John L.	It's Not Just Money	Cuna International Inc.		1967
*Pugsley, Wm. L.	Canadian Business Organization & Management	McGraw-Hill Book Company of Canada Ltd.	11.95	1965
*Raines, I.I.	"Better Communication in Small Business" Small Business Management Series #7	Small Business Administration Publications	.30	1962
*Rathmell, John M.	Managing the Marketing Functions	John Wiley & Sons	9.95	1968
*Reifler. Ronald M.	"Plant Location Factors for Small Industry" Management Aids for Small Manufacturers #7	Small Business Administration Publications	.30	1961

AUTHOR	TITLE	PUBLISHER	PRICE	DATE
*Richert, G. H. et al	Retailing Principles & Practices. 5th edition	McGraw-Hill Book Company of Canada Ltd.	7.36	1968
Sager, Arthur W.	Speak Your Way To Success	McGraw-Hill Book Company of Canada Ltd.	6.95	1968
*Schabacker, Joseph C.	"Cash Planning In Small Manufacturing Companies" Small Business Research Series #1	Small Business Administration Publications	1.25	1960
*Seguin, G.E.	Basic Retailing. 2nd edition	Sir Isaac Pitman	3.75	1963
Shaffer, Harold	Fundamentals of Retailing	McGraw-Hill Book Company of Canada Ltd.	3.90	1965
*Sisk, Henry L.	Principles of Management	South-Western Publishing Co.	10.50	1969
Smyth, James E. & Soberman, D.A.	Law and Business Administration in Canada. 2nd edition	Prentice Hall	9.95	1963
*Steinmetz, Lawrence et al	Managing the Small Business	Irwin Dorsey Ltd.	14.95	1968

AUTHOR	TITLE	PUBLISHER	PRICE	DATE
*Tasso, G.J.	"Keeping Overhead Costs In Line" Management Aids for Small Manufacturers #9	Small Business Administration Publishers	.35	1963
Terry, George R.	Principles of Management	Richard D. Irwin Inc.		1968
University of Texas	Communications (Oral & Written) Preparatory Series	University of Texas	3.75	1964
University of Texas	Communication in Distribution. First-Year Series	University of Texas	7.00	1969
*Wood, O.T.	"Pitfalls in Estimating Your Manufacturing Costs" Management Aids for Small Business #2	Small Business Administration Publications	1.00	1958
Yassen. Leonard C.	"Plant Location" Handbook of Business Administration	McGraw-Hill Book Company of Canada Ltd.	35.50	1967

AUTHOR	TITLE	PUBLISHER	PRICE	DATE
	Christopher Leadership Course			
	*"How To Run a Business"	Information Canada		
	*The Indian Act	Information Canada		
	*Discussion Notes on the Indian Act	Department of Indian Affairs		
	Delegating Work and Responsibility	Small Business Administration Publications		

*Indicates books which will be most useful.

LIST OF SUPPLIES

CODE	LESSON	ARTICLE
MP1	Introduction to Course	Name tags List of student names & addresses Pencils & paper Binders Course index
MP6	Success & Failure in Business	Booklet, "Failure Record Through 1971" or most recent year (Dun & Bradstreet
FAB4	Starting the Bookkeeping System	3-column Journal sheets (purchase supply for future lessons) Ledger sheets (purchase supply for future lessons)
OP2	Filing	File folders File cabinet Documents to be filed
FAB6	Recording Revenues & Expenses	Sales books (2 per student)
FAB8	Preparing the Work Sheet	Work Sheet paper (purchase supply for future lessons)
FAB12	Sources of Funds for Starting the Business	Information on loans & grants (addresses in lesson)
PF3	The Importance of Saving	Various pamphlets on savings accounts Booklet on Canada Savings Bonds
BC3	Writing Business Letters & Reports	Envelopes Writing paper
BC4	Speaking in Business	Recorder with telephone hook up
PROD1	Introduction to Production	1,000 cardboard squares or 35 mm slide frames 1 roll masking tape 6 staplers 6 scissors Staples
PM6	The Search for New Employees	"Help Wanted" section newspaper
PM8	Selecting the Best Man for the Job	Variety employment application forms

CODE	LESSON	ARTICLE
OP4	Office Machines	Adding machine Cash register Typewriter (optional)
OP5	Duplicating	Spirit Duplicator Stencil Duplicator optional Photo-Copier
BL7	Special Contracts: The Sale of Goods	Legislation on: Conditional Sale Act Bulk Sale Act Bill of Sale Act Chattel Mortgage Act
MKT6	Purchasing	Blank purchase order (1 per student)
FAB14	Recording Your Purchases	Multi-column Journal paper
PROD8	Break-Even Analysis	Graph paper
MKT8	Setting Prices	Profit calculator
MKT9	Promoting Your Business	Tape recording of radio ads Sales promotional literature Coupons Copies popular magazines Copies daily/weekly newspaper
MKT10	Advertising	Sample ads
MKT12	Merchandise Layout & Display	Pictures/slides of store interiors
FAB17	Recording Cash Receipts	Application for vendor's licence Provincial Tax Tables Quarterly Return of Sales & Tax Collection forms Booklet, "Education & Health Tax Act" (1 per student)
FAB20	Handling & Receiving Cash	Assorted coin & currency ($10.00 per student) Cash sheets
FAB21	Banking	Deposit slips Cheques
FAB23	Inventory	Inventory sheets

CODE	LESSON	ARTICLE
FAB25	Financial Statements	Overhead clear plastic roll
PF4	Consumer Credit	Application forms & material on loan plans Sample sales contracts
PF5	Calculating Interest	Pamphlet, "Managing Your Money" (1 per student)
FAB26	Payroll Deductions	Payroll sheets Social Insurance Number application Canadian Pension Plan & Unemployment Insurance Tables Income Tax Deductions At Source Tables 192 & 192A Employee's Tax Deduction Return
PM17	Labour Legislation	Booklets summarizing labour legislation for the provinces
FAB29	Depreciation	Canadian Master Tax Guide
FAB32	Year-End Reporting	Workmen's Compensation Board Employer's Payroll Statement Employer's Canadian Pension Plan Guide Employer's Unemployment Insurance Guide Return of Remuneration Paid Statement of Remuneration Paid
FAB33	Personal Income Tax	Individual Income Tax Return
BL8	Special Contracts: Business Insurance	Sample insurance contracts
BL10	Leases	Copies of leases
BL11	Mortgages	Copies of mortgages
FAB43	Financing the Business	Information on long & short term business financing
PF7	Your Will & Estate	Copies of wills for Treaty Indians (1 per student)

5. CONDUCTING THE COURSE

The instructor will need to use all his imaginative powers to develop methods which are suited to the needs of the students' overall development in self-confidence, judgment, decision-making and problem-solving abilities. Preparing a student who is able to continue learning and solving problems after the completion of the course is more important than filling a student with pat answers.

It is important that the instructor have a good grounding in group dynamics to give him the necessary skills in working with his group of students.

The following notes can help the instructor develop an instructional strategy which can guide him in providing the students with training which will prepare them for life.

a. The instructor will keep in mind that his function is to help students learn. He is to act as a coach or helper rather than a supplier of facts.

b. The learning atmosphere should be such that students are encouraged to develop a searching, inquiring and questioning mind. They should be stimulated to discover as much new knowledge as possible.

c. The learning atmosphere in the group should be such that the students not only feel free to express their feeling and opinions but should be urged to do so even if they are critical. If these are held back, learning may be hampered.

d. The instructor should help students develop a realistic positive mental attitude. They should realize that they will face many difficulties in business but that with a positive outlook, they will be able to deal more effectively with the difficulties.

A negative attitude tends to prevent a person from attempting to solve his own problems. The instructor's own positive attitude to his work will have an impact on the students. For instance an instructor who greets his students in the morning in a grouchy mood will have difficulty impressing his students with the importance of a good attitude. Or, if the instructor lets himself be visibly frustrated by the students, the living example may speak louder than words. The instructor will need to practise the problem-solving skill he wishes his students to acquire.

e. Some students have reacted very well to motivational material such as Earl Nightengale's record album "Lead the Field - How to Win With People". It can be obtained through your record shop or Nightengale-Conant Corporation, 333 North Michigan Avenue, Chicago, Illinois. One side of a record can be played each morning and then discussed a few minutes.

Some students have also found very helpful books such as Dr. Maltz's "Psycho-cybernetics", Fawcett World or Norman Vincent Peale's "The Power of Positive Thinking" (Pocket Books Inc.). Other students do not go for this type of material.

f. The classroom should have a relaxed and jovial atmosphere. Informality between instructor and students helps if the informality actually fosters learning and does not hinder it through excessive loss of time.

g. A relaxed class climate does not mean that there will be no stress on the students. Stress and risk-taking are necessary training components for a group of future businessmen. The business projects, public speaking, role-playing, etc. are ways to have students experience stress and risk-taking, starting gradually and intensifying as the circumstances permit. Excessive stress, however, could lead to frustration and demoralization.

h. One of the most important suggestions for the instructor is that the course be conducted on a practical basis. This can be done quite easily by having the instructor use the course materials and relate them to the students' or his own experience and show how the knowledge is used in a business situation.

i. The instructor should spend some time in preparing his students to encounter the drag-down system when they return to their communities. This problem, which is common to many small communities (it is not unique to native communities) is an attempt to keep everyone at very much the same economic and social level. If one person attempts to improve himself or the community without involving the community in its own development, he will find strong forces to have him conform to the habits and life style of the rest of the community.

It is easy for a person to become discouraged and to abandon all attempts at improvement. Students should be aware of the possibility of the drag down system at work in their own communities.

A method of avoiding its effect is to involve some of the more influential people in the work of improving the community and its services. A businessman who wants to be a success in a small community must not only work for a successful business but he must have community interest in mind and work with the community to improve itself.

j. The instructor should attempt to have students do as many things themselves in the course of a lesson as it is possible. The students can do most of the flip chart work except when the instructor uses the flip chart to illustrate a point in a lecturette or example. The students enjoy operating equipment when it is convenient for them to do so. They can occasionally lead class discussion or small group discussion. They can act as facilitator in a group discussion to encourage participation, they can sum up a lesson, thank a resource person who has come into the group. Students may with some help from the instructor be able to teach a lesson.

The students should learn to classify and file their lessons after they are completed. A first step is to place the lessons chronologically in a three ring binder. When a number of lessons have accumulated, the students can place them in an accropress binder in chronological order or use dividers to separate the lessons by subject areas.

The instructor should not miss an opportunity to involve students in doing.

k. The seating position the instructor takes in a group can affect discussion. The instructor will soon learn the dynamics of his group. It is sometimes advisable for the instructor to change his position in the group (as much as class layout and use of equipment permit) to have an effect on group discussion.

6. ADAPTING THE COURSE TO LOCAL NEEDS

The instructor's manual can only be a guide to small business management training. Students' needs vary from group to group as well as from locality to locality. The instructor will have to assess his students' needs and provide the course which will meet these needs.

The students' expressed needs will vary as they develop and learn. Meeting their needs means adapting the course to meet their career needs. If a group of students have a particular interest, it may mean adding lessons or deleting lessons or it may mean changing the emphasis of some lessons.

The sequencing of the lesson, the suggested methodologies and the estimated time requirements for each lesson are only guides, and should be adapted as necessary.

New legislation, new sources of funding or new programs are constantly being developed. The instructor will want to keep up to date with these new developments and update the course as they occur.

The course may be used for a specialized study of one subject area. Most of the subjects will lend themselves to specialized study. If this approach is used, it is suggested that the Management Process subject area lessons be used in conjunction with the special area chosen. A variety of needs can be met by combining only those subject areas which the students specially need: for instance, for a group of students who wish to prepare for band administration, the marketing, personal finance and production lessons as well as some of the specialized lessons in Finance, Accounting, Bookkeeping could be deleted. The sequencing in such cases can be changed to suit the needs. However, the sequence of the lesson in the management process subject does not lend itself to change. The course as it is prepared is intended to be general. If a more specialized type of training is required, the instructor should consider his training needs in adapting the course. The accounting system may need to be simplified to meet certain needs.

7. THE EVALUATION PROCESS

The instructor must be aware of the importance of evaluation if the course is to reach its objective.

a. On-Going Evaluation

This evaluation is made possible by feedback from the students every day. Class attentiveness, regular attendance and class morale are aspects of this on-going evaluation.

b. Periodic Evaluation

In testing the course materials, a periodic evaluation session was held with the students every two weeks. Two days prior to the evaluation session students were given a mimeographed copy of a progess report which is reproduced on the following two pages. It was found that students made a number of comments which they might otherwise hesitate to make. The instructor could use these reports to assess the general climate of the group and plan certain remarks for the group without making reference to the progress report of the individual student(s) who made the comments.

SMALL BUSINESS MANAGEMENT PROGRESS REPORT

STUDENT ______________________ COURSE ______________________ DATE ______________

We need to know:
How well you are progressing in your course.
The benefits which you have gained.
Your problems which have not been helped by the course.
The effectiveness of the instructor.
The effectiveness of the instructional materials.

To help obtain this information we ask that you complete this report as accurately as you can.

		INDICATE ASSESSMENT BY AN "X"			
		HIGH	GOOD	FAIR	LOW
	THE TRAINING MATERIALS				
1	Learning from training materials is				
2	Meet my needs (are suitable)				
	HOW MY COACH				
3	Understands my problems				
4	Attends to my needs				
5	Helps me to learn				
6	Controls the class				
	ME				
7	My interest in the course is				
8	How hard I work (do I really try) is				
9	Quality of things learned is				
10	The way I use class time is				
11	The way I complete difficult work is				

		INDICATE ASSESSMENT BY AN "X"			
		HIGH	GOOD	FAIR	LOW

THE WAY OTHERS

12	Help me is				
13	Show consideration by non-disturbing habits is				
14	Show interest by prompt attendance is				

THE WAY I

15	Help others is				
16	Show consideration by non-disturbing habits is				

COMMENTS ON ANY OF THE ABOVE RATINGS (INCLUDING THE FIRST PAGE)

COMMENTS ON OTHER ITEMS SUCH AS: MY STRENGTHS AND WEAKNESSES; THINGS IN WHICH I NEED MORE HELP; GOOD AND BAD HABITS OF INSTRUCTOR; CLASSROOMS AND FACILITIES; OTHER STAFF.

____________________ PASS THE COMPLETED FORM TO YOUR INSTRUCTOR
(Signed)

Evaluation sessions which encourage students to express their opinions and feeling lead to better group morale and lower tension.

The students should be given ample time in the evaluation session to express themselves. An evaluation session may take from one hour to three hours depending on the development of the group and the problems at hand.

The evaluation may be led by the instructor or by a supervisor or administrator. Whoever does lead the session should make the students feel at ease. The evaluation session should be conducted according to good group dynamic techniques allowing free discussion of opinions and inviting everyone to participate.

Among the topics for discussion, the group should consider course content, methodology, learning atmosphere, group morale, group problems or personal problems which affect the group. The students should consider whether group participation is adequate and they should find ways of improving the situation if necessary.

Initially the instructor will find that the group will not know how to evaluate the course. With the encouragement and support of the instructor, however, they will learn to be more discerning and they will contribute to a better course.

The instructor may find that the students say the course is meeting their needs, then, for no apparent reason, they may be critical of certain aspects. This can be a good sign since it shows the development of the students. The instructor should not be too sensitive to the criticism. He should look at it as an indication of developing the students analytic skills as well as a means of improving the course.

Students do change their minds on what is good or bad as the course progresses. While the evaluation session is useful in providing feedback and in developing the students, the instructor must remember that in the final analysis he is the instructor and he may have to explain why certain things are done in spite of student objections.

c. Final Evaluation

Every course conducted should furnish new ideas for the next courses. The final lesson in the course provides for an overall final evaluation. The students are in a better position to help evaluate the course. If they see that their evaluation will be useful for other students, they will take a keen interest in the evaluation.

8. ADMINISTRATIVE ASPECTS OF THE COURSE

a. Student Recruitment and Selection

(1) Recruitment

The recruitment stage involves obtaining more prospective students than will be required for the course. In order to do this, the sponsoring institution or agency will want to involve other agencies in the job of recruitment. The agencies that might provide assistance will vary from area to area but the following should be among those contacted:

- native associations
- friendship centres
- Canada Manpower Centre
- Department of Indian Affairs and Northern Development
- Department of Regional Economic Expansion
- Provincial funding agencies for native projects and programs
- Provincial Departments of Education
- other provincial departments which are involved in native programs
- native newspapers.

It is important that those people and agencies who are co-operating in the recruiting understand the type of training involved. These agencies should be given the general recruitment criteria which they will require to do the recruiting: age, education level desired, marriage status, etc.

(2) Selection

The selection stage consists in choosing the potential students from among the people recruited. A selection committee can be given this function.

Each sponsoring agency or institution will want to establish its own selection criteria. The following points can help in establishing these criteria.

(a) As a prerequisite, the student should have the equivalent of an adult grade 10 academic standing. He should also possess problem-solving skills, human relations and communication skills which are adequate for him to function in a responsible and appropriate fashion in solving his personal, family and job problems.

(b) He should be between the ages of 25 and 45, although this can vary with circumstances.

(c) As many married couples as possible, especially for those who plan to go into business for themselves. The small business enterprise is so closely tied in with the family that the wife should understand what business is all about or she may be a hindrance rather than an asset to the success of the business.

(d) Previous employment experience. This is an indication of some stability.

(e) Average intelligence or better.

(f) Expressed desire to go into business or to obtain a job with the native association, band administration or other type of management position.

(g) Free of serious personal problems such as alcoholism, serious financial problems, etc.

(3) Lead Time Required

It is important for the sponsoring institution or agency to plan its Small Business Management course well in advance. The recruitment and selection phases require considerable time. The time required may vary from one month to as much as six months if the students do not have the necessary prerequisites. In many areas, it is not possible to obtain sufficient number of students with the prerequisite grade 10 and the necessary level of personal problem-solving skills. This means that the prerequisites must be given the students prior to the Small Business Management course. Depending on the needs of the students, this may take three or four months or more.

Saskatchewan Newstart has developed courses in academic upgrading and in the development of the problem-solving skills which are well suited to providing the necessary prerequisites. The upgrading course is called LINC* and the course with the objective of developing human relations, problem-solving, group process and communication skills is called LIFE SKILLS*.

Even if it is possible to have students who meet the necessary requirements, it is still desirable to give the students a two-week course in group process. The Small Business Management course is based on the group process. A prior group experience unrelated to business management may facilitate learning in the Small Business Management course.

*LINC (Learning Individualized for Canadians) and Life Skills courses are available from Saskatchewan Newstart Inc., Box 1565, Prince Albert, Saskatchewan, S6V 5T2.

(4) Final Selection

Assuming students with the necessary prerequisites cannot be found, it will be necessary to select students to take the upgrading and life skills courses. These courses are conducted concurrently at one-half day each.

However, to provide for the necessary 15-20 students for the Small Business Management course, it will be necessary to select about 1/3 more students for the upgrading and life skills courses. This allows for the normal drop-outs and for students who see new alternatives which they prefer. This is not a loss of time or effort since giving the students alternatives is the important objective of training.

The final selection for the Small Business Management course must be made from the students who have completed the necessary prerequisites. Students who are not selected for a current course can register their names for a future course. The final selection should consider such factors as student attendance, learning ability, attitude towards his future career, motivation, etc.

b. Instructor Training

The hiring of an instructor should take into consideration the candidate's academic training, his experience in business and his personal qualities and attitudes.

(1) Academic Training

Ideally the instructor should have some formal training in the business management field. A university degree in commerce or business administration is highly desirable. However, a person with less academic training may do very well provided he has the other requirements and has extensive experience in small business management.

(2) Related Experience

The candidate's experience in management is an important factor in selecting an instructor. This management experience should be in the small business field, or there is a real danger that the instructor conduct an academic-oriented course rather than the practical course needed by the students.

The experience should be general in nature. An accountant, a marketing or personnel specialist may impart the point of view that their speciality is the most important and may develop that aspect to the detriment of the other areas of management.

(3) Personal Qualities and Attitudes

The instructor should have a genuine interest in working with native adult students. He should be student-oriented and share the philosophy that the purpose of the course is to prepare individuals for business. He should be flexible, like working with groups and be able to adapt easily to new situations yet be firm in keeping students on track. He should also possess good communication skills and strong leadership qualities.

c. Training the Instructor

Since the course relies heavily on the group process as a learning technique, it is important that the instructor be skilled in this field. It is highly desirable that the instructor follow an intensive course in group dynamics, human relations,and problem-solving techniques. Without this orientation, the instructor may find himself drifting back to traditional methods.

The instructor should also have the opportunity to work for a few weeks with an experienced instructor. An on the job experience with a group of students could prevent many pitfalls. It would also facilitate the learning of the course materials as well as many administration aspects of the course.

The combined group process and on the job training could take from four to six weeks.

d. Miscellaneous

There are numerous administrative duties which are essential for a successful course. Some of these are briefly reviewed.

(1) Student Allowances

Students will require living allowances while on course. These will have to be arranged well in advance of planning a course.

(2) Living Accommodation

Adequate living accommodation can provide some difficulties especially when the whole family must be relocated. In larger urban centers, the problem may not be as severe but students will usually require some assistance if it is their first experience with urban living. A list of satisfactory accommodations may help new students.

(3) Scheduling Courses

Careful scheduling is required in order to make the best use of staff and to accommodate students. The problem of lead time required by students who are not ready for the course must be considered in planning. Films must also be ordered well in advance to assure arrival when needed.

(4) Counselling

No course can be conducted without some problems. Students will occasionally need counselling services. These services should follow the general rationale of the course.

Typical problems that must be dealt with are problems associated with the family, finances, housing, baby-sitting when both husband and wife are students, etc. Attendance is usually very high and will run 85-90% or better.

Some students have a low frustration level and become discouraged and demoralized. The instructor must be aware of this and help these students.

(5) Cost Associated with Conducting the Course

The cost of conducting the course can be divided into two categories:

(a) Non-Recurring Costs (approximate)

	Essential	Optional
Cassette Recorder	$100	
Overhead Projector	140	
Slide and Filmstrip Projector		130*
Turntable		35*
16 mm Movie Projector	650	
Adding Machine	125	
Screen	50	
2 flip Charts	40	
Videotape Recorder and Monitor		2,000
	1,105	2,170
Reference Library	350	
Overhead Projectuals	250	
Instructor's Manual	30	
	1,735	

---

*Because of their limited use, these should be borrowed or rented.

(b) Recurring Costs with Each Course (approximate)

- Kit of student materials	$375
- Film rental	250
- Supplies	225
- Student Expenses (tours, projects, etc.)	300
	$1,150

In addition to these recurring costs, there is the cost of occupancy, instructor's salary and other overhead items.

(6) Follow-Up and Post Course Counselling

The students will require follow-up counselling and consulting services of some type which will help them realize their objectives, though the exact nature of these services still requires considerable work.

The job may be undertaken by the funding agency for those starting up their own businesses. The type of services they offer should be in line with the training the students have received. For those not starting their own businesses, some other approach is needed which will help the students over hurdles.

The course should not be considered the end but the beginning of a life career in which the students will continue learning and developing so they and their people can grow culturally and economically.

(7) Graduation Ceremony

The instructor should plan with the students a graduation ceremony for the last day of the course. An appropriate certificate should be presented. Invitations should be extended to friends, relatives, school authorities, dignitaries from the local and native communities.

Students can plan talks, a guest speaker, refreshments, etc. The day should be one to be remembered.

ESTIMATED TIME REQUIREMENTS

VOLUME I

CODE	LESSON	ESTIMATED LESSON TIME (HOURS)	ACTUAL LESSON TIME
MP1	Introduction to the Course	5 - 6	
MP2	The Individual & His Needs	3½	
MP3	The Organization	3	
MP4	What Is Management?	3½	
MP5	What Is Small Business?	2½	
PM1	Why People Work	3½	
BC1	The Communication Process	4	
BC2	Communicating in Business	4	
MP6	Success & Failure in Business	3	
FAB1	Introduction to Finance, Accounting & Bookkeeping	2	
FAB2	What Is Bookkeeping. Accounting & Financial Management?	2½	
FAB3	What Is a Business Worth?	3	
FAB4	Starting the Bookkeeping System	3½	
OP1	Introduction to Office Procedure	1	
OP2	Filing	2	
FAB5	Recording Business Transactions	3½	
FAB6	Recording Revenues & Expenses	4	
FAB7	Taking the Trial Balance	5	
FAB8	Preparing the Work Sheet	3½	
FAB9	Elementary Profit & Loss Statement	4	
FAB10	Elementary Balance Sheet	4	
FAB11	Recording Closing Entries	3	
PF1	Introduction to Family Money Management	2	
PF2	Family Budgeting	2	
FAB12	Sources of Funds for Starting the Business	3½	
PF3	The Importance of Saving	3½	

SUBJECT MANAGEMENT PROCESS

LESSON MP1 INTRODUCTION TO THE COURSE

INSTRUCTOR'S GUIDE

OVERVIEW

Because this is the first session with the students it is important that it be as informal as possible. To some extent, this first lesson will set the stage for the whole course. The instructors should attempt to involve the students in discussion and to encourage discussion to originate from the student themselves. However, instructors should realize it will take weeks before students will behave as a "GROUP".

OBJECTIVES

1. To introduce the training staff and the students to each other.

2. To provide an overview of the course.

RESOURCES REQUIRED

1. Name tags
2. Sheets with list of names and home communities of participants and staff
3. Pencils and paper
4. Binders for lessons
5. Course index
6. Coffee prepared to bring into room (or already in room)
7. Slide story and tape, "The Patuanak Story"
8. Room pre-arranged with tables or desks and chairs in a circular setting.

MP1

OBJECTIVE 1: TO INTRODUCE TRAINING STAFF AND STUDENTS TO EACH OTHER.

METHODOLOGY

1. All staff (including administrative head) participate. Students and staff are seated. Staff members do not sit together.

2. One instructor passes out name lists (with community of origin), pencils and blank name tags and asks each student and staff member to print his (her) name on the card and attach it to the right coat pocket.

3. Administrative head, instructors, and students introduce themselves. At the same time the group can refer to the name list to see how the name is spelt and from where they originated.

4. Administative head:

   a. Explains his role in the course.
   b. Explains jobs of staff members or asks them to do this themselves
   c. Asks for questions or discussion.

5. Bring coffee into the room. Ask the students to break up and visit around. Staff should also circulate and talk to the students.

Indicator

6. Instructors' evaluation of the reaction of students. If the students are hesitant to participate, proceed very slowly. Help the students to feel at ease.

OBJECTIVE 2: TO PROVIDE AN OVERVIEW OF THE COURSE.

1. Instructors ask the students to reassemble.

2. Pass out Readings (administrative head acts as facilitator for the students). He explains sections of the Readings or assigns sections to the instructors for explanation. Pause for discussion or questions where appropriate. Be as flexible and informal as possible.

3. Read Purpose and Introduction of the Readings. Discuss.

PURPOSE

The purpose of this lesson is to introduce you to the Small Business Management course.

INTRODUCTION

Today you are starting a course in Small Business Management. In this first lesson we will discuss the course as a whole so that you will have a general idea of what it involves.

Some of the topics we will discuss in this lesson are:

1. The reasons why the course is offered.
2. The objectives of the course.
3. The subject areas covered in the course.
4. The aids used in teaching the course.
5. Your expectations of the course.
6. Our expectations of you.

As this course is primarily for native people, some special opportunities and problems that native people may have in getting into business will be discussed from time to time throughout the course.

4. Try to have the students analyze the business life of their home communities. Ask:

   a. What kinds of businesses do you have in your home communities (reserves, settlements, etc.)? List on the flip chart.

   b. How many of these businesses are run by native people?

   c. Why are so many businesses run by non-native people? Do native people have the money to start a business? Do they have the skills? The experience?

5. Go over Section 1 of the Readings with the group. Discuss, as necessary.

CONTENT

1. Why the Small Business Management Course Is Offered

Why have more native people not started and managed their own businesses? We believe there are a number of reasons:

a. Native people have not had an opportunity to get a good education.

b. They did not have the money required to get a business started.

c. They did not have the knowledge and skills needed to run a business.

Since there are many schools today, it is now possible for native people to get a good general education. For example, there are generally funds available to pay the costs of high school and university education for Indian and Metis people.

There are loans available for native people to start businesses of their own so this financial need is being satisfied. We will discuss the sources of loans later in the course.

What about the third need (business knowledge and skills)? Money and education are not enough to ensure success in business. To be successful a businessman needs training in all areas of business management.

This need, we hope, will be filled by the Small Business Management course. This course is offered to you as a means of improving your knowledge of business and your skills in making business decisions.

6. Go over Section 2 of the Readings.

2. What Are the Objectives of the Course?

The Small Business Management course is designed to provide you with the business tools and management skills necessary for any of the following:

a. To start and operate a business of your own
b. To manage a business for somebody else
c. To prepare you for working for some business, government agency, or native association
d. To help you manage your business more efficiently, if you already own a business.

7. Discuss Section 3. Try to relate each subject area to the students' previous knowledge.

NOTE: As this is an information-giving exercise, it could be done by the lecture method. As an alternative, the instructor could go over the Readings with the group, pausing for questions and discussion.

3. What Subject Areas Will be Covered in the Course?

You will first become acquainted with business in a general way, then you will have lessons in all areas of management. You will look at the different jobs you will have to do as an owner-manager and find out what skills you need to do these jobs.

a. Management Process: Attempts to make you aware of the wide area in which the manager functions. Often the beginning manager is so involved in the day-to-day operation of his business that he fails to recognize the real jobs or functions of the manager.

b. Marketing: Shows you how a business plans, prices, distributes and promotes the goods or services that it sells.

c. Production Management: Discusses where to locate a production plant, what to produce, when and how much to produce.

d. Business Law: Introduces you to our legal structure and those laws and regulations affecting the businessman and his business.

e. Finance, Accounting, Bookkeeping: Involves how to raise money to start and run your business, how to keep business records and plan for the future of your business.

f. Personnel Management: Discusses how to hire, train, pay and supervise your employees so that they will be happy and productive.

g. Business Communications: Will give you an opportunity to practise communication skills. As a businessman you will be writing business letters, talking on the telephone, speaking to individuals and groups as well as holding business meetings.

h. Personal Finance: Will help you to set up a family budget and plan your family purchases wisely. In order to be a good businessman you must be able to manage your personal and family finances.

i. Office Procedures: Enables you to keep your records in order by giving you instruction on proper filing methods, handling mail, and the use of office machines and duplicators.

8. Discuss the teaching methods used in the course.

9. Read Section 4.

4. What Teaching Aids Will Be Used to Present the Course Materials?

The purpose of this course is to prepare you to be managers. You will be involved in making decisions similar to the decisions you will have to make when starting and running your own business.

If you want to be involved in the learning process it means that we cannot just lecture or teach in the usual classroom way. How then, can you learn? You can learn by discovering and discussing things as a group. The success of the course depends on the involvement and participation of each student in learning the most he can. The student is expected to ask questions and discuss freely his point of view. Some of the things you will be discussing are:

a. Case Studies: You will read about and discuss actual business situations.

b. Short Instructor Presentations: Some topics will be presented by short instructor presentation. These will be used infrequently and will be supplemented by the use of visual aids. (Projectuals and charts.)

c. Films: Some films will be used to present business ideas and situations.

d. Role Plays: You will be asked to play the part of a businessman or customer. In this way you will realize how that person feels.

e. Field Trips: You will have a chance to tour different types of businesses in the area.

f. Resource People: Some business or professional people will discuss certain business topics with you. You will have a chance to question them on their experiences.

g. Exercises: You will be asked to do exercises alone and in groups to see if you have understood the material presented to you in the lesson. There will be no exams to write in this course.

h. Projects: During the course your group will be asked to plan one or more business projects. In these projects you will come into contact with many of the problems associated with business.

10. Discuss the students' expectations of the course. Use the following technique:

    a. Ask the students to divide into groups of three or four.

    b. Give each group some paper and pencils. Write on the flip chart the following question:

       "What do you expect to learn from this course?"
       (or "My reasons for taking the Small Business Management Course.")

    c. Ask each group to write down what their expectations are.

    d. When they are finished have them reassemble. List the various groups' expectations on the flip chart. Analyze and discuss these expectations.

    e. Now refer group to the following section of the Readings and go over it with them.

5. What do YOU Expect to Learn From the Course?

It is important to realize that no course can guarantee success. Taking the Small Business Management course does not guarantee that you will become a successful businessman. The course will only improve your business knowledge and skills.

After completing the course you should have increased chances of success, whether you want to:

a. Start and run your own business
b. Manage a business for somebody else, or
c. Work for some business or government agency.

Success depends on you. We are sure the course will be a great help to you, but we cannot guarantee success.

2

11. Mention "if these are your goals (refer to the flip chart) and expectations, then you will be required to do certain things; that is, we have certain expectations of you."

12. Discuss Section 6 of the Readings.

> 6. What Do We Expect From You?
>
> It is said that "you get out of life exactly what you put into it." This is true for the Small Business Management course. The more effort you put into the course the more benefit you will get out of it.
>
> What are some of the things you can put in?
>
> a. regular attendance
> b. being on time for the lesson
> c. reading on your own
> d. willingness to work alone and in groups
> e. willingness to discuss topics and present your ideas.
>
> NOTE: You will see and hear new words in this course. If you see or hear a word that you do not understand please ask for an explanation.

13. Discuss each of these items to impress their importance from the beginning of the course. Stress especially the importance of regular attendance, as much new material will be learned and if a student is absent there is difficulty in catching up and it means a delay for the others.

14. Pass out the binders and explain their purpose. Pass out the table of contents of the course.

Indicator

15. Play the slide story and tape, "The Patuanak Story". This story explains the building of a co-operative store by a group of Indians. The suggestion is that if native people work together they can improve and better their economic position and still maintain their way of life.

16. Discuss the slide story in order to:

    a. learn the group's reaction to business

    b. discover their ideas on maintaining their cultural heritage.

SUBJECT MANAGEMENT PROCESS

LESSON MP2 THE INDIVIDUAL AND HIS NEEDS

INSTRUCTOR'S GUIDE

OVERVIEW

Why should we have a lesson on the individual and his needs at the start of a Small Business Management course? Because it is important for each of us to understand ourselves as individuals, to know what our needs are and how they can be met.

If the student has an understanding of the hierarchy of human needs, he will not expect all people to have the same needs at the same time. He will understand that although organizations are interested in fulfilling needs, there will be conflicts in the needs satisfied; different people will be satisfying different, sometimes incompatible, needs. He will see that money is not sufficient to satisfy all human needs.

By understanding the relationship of the individual and his needs (discussed in this lesson) and the nature of organizations (discussed in the next lesson), a better appreciation of the business world and the whole economic system will be possible.

This lesson will make the student aware of the hierarchy of human needs according to the theory developed by Maslow. It will also show how organizations are required to fill the needs.

As the course progresses, the business organization will be studied in some depth. It is necessary to see the business as a way to fulfil human needs: those of the owner-manager, the customers and other people working in the business.

Later lessons will deal with the nature of organizations and with management's needs to successfully achieve the goals of the business organization. Future lessons in the Management Process subject area will explain in some detail the functions of management and show how the course materials are related to the management functions.

OBJECTIVES

1. Provided with a list of human needs, the students will be able to classify them according to the hierarchy studied in the lesson.

2. The students will recognize that organizations exist to satisfy the needs and wants of the individual.

REFERENCE MATERIAL FOR INSTRUCTORS

1. Hay, Robert D. Introduction to Business. New York: Holt, Rinehart & Winston, Inc., 1968, pp. 79 - 94.

2. Sisk, Henry L. Principles of Management -- A Systems Approach to the Management Process. Cincinnati, Ohio: South-Western Publishing Company, 1969, pp. 450 - 452.

RESOURCES REQUIRED

1. Pencils and paper for buzz groups

2. Flip charts

3. Projectual MP2-1, "The Hierarchy of Human Needs"

4. Projectual MP2-2, "Deficiencies, Needs and Desires"

5. Tape recorder with recorded recordings (if you wish).

METHODOLOGY

1. Hand out the Readings.

2. Read the Purpose and Introduction.

PURPOSE

The purpose of this lesson is to make you aware of the different levels of needs and wants which people have; in this way, you will be better able to understand why people act the way they do. The lesson will also discuss the need for organizations to fulfil human needs.

INTRODUCTION

You have just started the Small Business Management course. You will be learning many new things. You will meet many new people. As you prepare for a new job, either in business, with the government or with a native association, you will sometimes wonder: How do other people feel when they are faced with new or unfamiliar situations?

Although it is natural to feel at times that you are the only one who feels the way you do, everyone is actually much alike in his wants and needs. An understanding of this provides much more self-confidence and enables a better understanding of others. Knowing that most people have much the same needs will help you to be oriented to new situations and people. We will see that different people are at different levels in their need satisfaction.

This lesson will stress how you will likely react in different situations due to your level of needs and wants. This is important in understanding people everywhere, not only in the field of business.

We will then see that human needs are for the most part satisfied by organizations which are part of our everyday lives. Without them many of our needs could not be satisfied.

OBJECTIVE 1: PROVIDED WITH A LIST OF HUMAN NEEDS, THE STUDENT WILL BE ABLE TO CLASSIFY THEM ACCORDING TO THE HIERARCHY STUDIED IN THE LESSON.

Stimulus

3. Divide the class into groups of 4 or 5 students per group.

4. Ask them to list the basic wants and needs that people have.

Clarify Problem

5. After approximately 15 minutes, ask the students to return to their usual positions for discussion.

6. Have each group read out his list of needs while one student writes the list on a flip chart.
7. Ask if there are some needs which are more important than others.
8. Have students set a priority for the wants and needs listed.

Provide Information

9. Read Section 1 and 2 of the Readings.

CONTENT

1. What are Needs?

Needs can be defined as requirements of the body or personality for a fully-satisfying life.

2. There are Levels of Needs

Much of the time the human body functions on an automatic system. But there is a limit to the length of time that a body can look after itself without conscious care. The body must have a source of food, water and air and an opportunity to eliminate wastes in order to maintain a constant supply of oxygen, carbon dioxide, sugar, and salt in the blood. If the supply is always available, then the body will never experience need. In fact, a person rarely feels the need for oxygen, but if deprived of it for twenty-four seconds, this need will outweigh all other human needs, and the body will immediately concentrate its entire effort on replenishing the supply. Or if the body is without food for twenty-four hours, its basic drive will be to secure food, with most other drives being ignored until this one is satisfied.

This illustrates that there is a hierarchy of needs (different levels). The most basic needs form the foundation, and if they are not satisfied, the body will not be aware of any needs of a higher level. One way of determining how important a need is to the body is to determine how long we can do without it. The most basic of all needs is usually considered the need for oxygen, followed by the need for maintenance of body temperature, the need for water, and the need for food.

Within our country, we feel that the satisfaction of this basic level of needs is a social responsibility. Society supplies food, and shelter for those who cannot supply them for themselves, and demands that reasonable temperatures and fresh air must be maintained in places where people are employed.

10. Show Projectual MP2-1, "The Hierarchy of Human Needs". (The projectual is constructed so that you can show the foundation needs first and build upon them the different levels of human needs.) Expose different levels as you progress through the Readings.

11. Read Section 3 of the Readings. Pause and have the students give examples from their own personal experiences. Discuss each section.

3. The Different Levels of Needs

a. Physiological Needs

Physiological needs are needs for the things which keep our body alive, comfortable, and healthy. Notice that these are the foundation of all needs. When and only when these are supplied does the next level of needs become important.

b. Safety Needs

Safety needs are closely related to physiological needs, as they have to do with maintaining the body in a state of comfort and security. They vary from removing the body from immediate physical danger to keeping our environment in order so that nothing unexpected will present itself. Included in safety needs can be such things as the need to provide security for one's old age, or for one's survivors.

Security, when it is involved with the immediate future or one's immediate family, is the basic level. When it is well-supplied on this level, it is often extended into the social level.

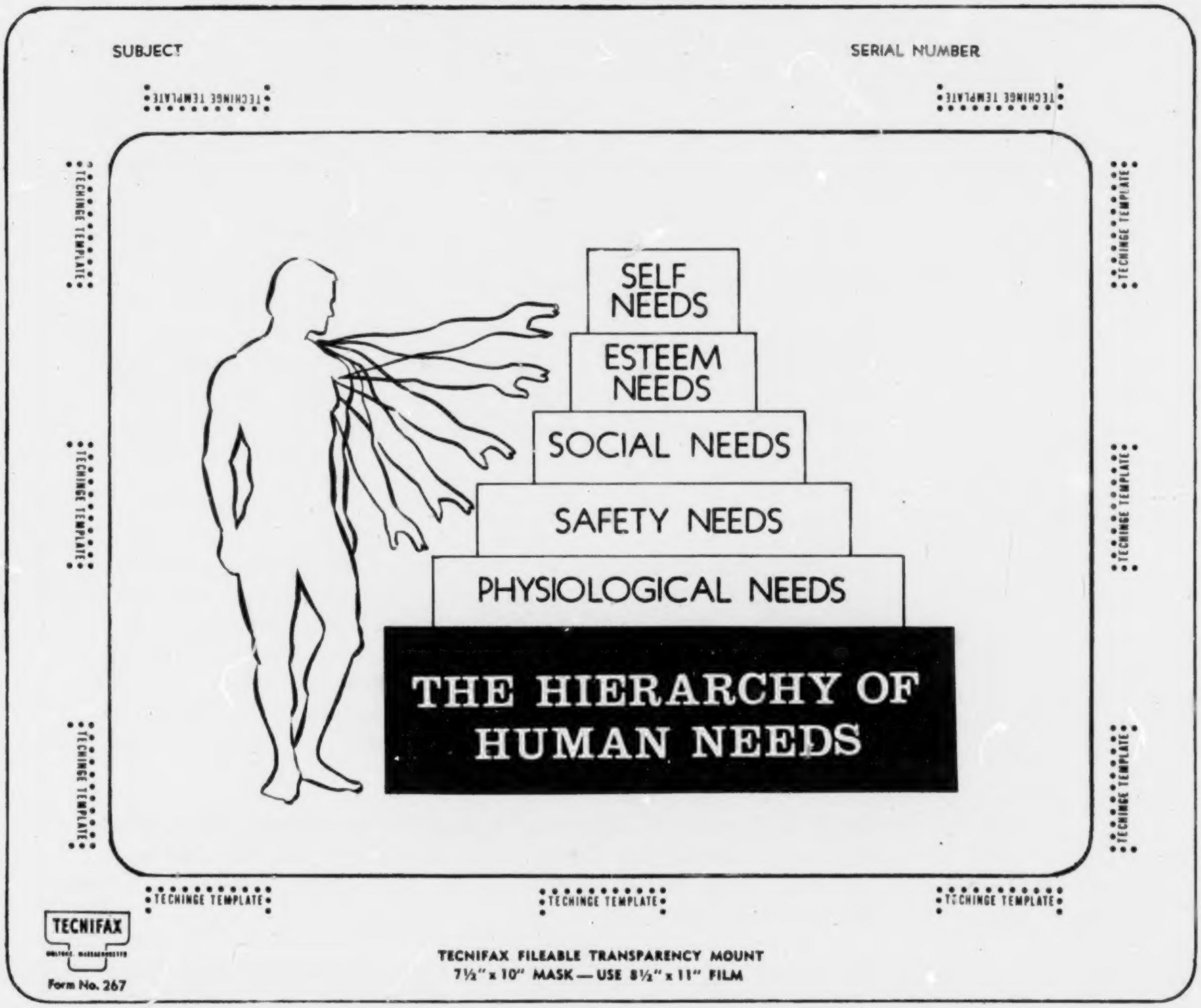
For example, a man struggling to provide food for his family for the coming winter, when his family will go hungry if he doesn't succeed, has a strong need on the safety level, and will not feel needs on the social level until his basic needs are supplied.

c. Social Needs

Social needs are the needs to belong, to have a place within society where you are accepted and where your ideas are respected, to know that you are loved by a number of people. A person needs to feel the mutual giving

MP2

MP2-1 THE HIERARCHY OF HUMAN NEEDS


SUBJECT
SERIAL NUMBER
SELF NEEDS
ESTEEM NEEDS
SOCIAL NEEDS
SAFETY NEEDS
PHYSIOLOGICAL NEEDS
THE HIERARCHY OF HUMAN NEEDS
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

and receiving of affection and care.

In infants, the need to be loved and cared for is found in the most basic level of needs. Even though an infant is given the proper food, shelter, etc., unless he receives loving care and affection, he can develop serious mental disorders, and in some cases will die. (This is also true of infants of some animals particularly the larger apes.)

The need to belong to a specific group or organization has from the beginning of history caused men to band together to form clans, tribes, cities, and countries. These units of society supply their members with some of the basic needs, such as protection, a source of food, and a system of order. But beyond these basic requirements, they have provided their members or citizens with a sense of belonging, with a feeling of identity, and with a bond which holds together a number of people who hold common interests and common goals. This belonging need explains our numerous organizations (which we will deal with in the next lesson).

After the basic needs are supplied, there develops a strong and pressing need for recognition from society. Persons deprived of the satisfaction of this belonging need begin to struggle violently to be recognized. If this need becomes acute and continues to be unsatisfied, the person often reverts to deviant behavior, such as juvenile delinquency, alcoholism, or exhibitionism. (Deviant: opposed to the normal or accepted behavior; exhibitionism: actions or mode of dress to draw attention to oneself.)

It is interesting to note that the classes of people who are struggling for social recognition are not the ones who are on the very bottom level of society, but are those who have had their basic level of needs provided for, who have risen above physical fear and hunger, and now feel the pressure of social needs.

This can be seen in the social struggle of the coloured minority of southern United States and the Indian minority of western Canada. These groups have made greater social gains in the past decade than in their entire history, with many of their basic needs realized for the first time, and with much of the problem of isolation from the rest of society solved. In addition, the avenues of social advancement such as education and employment opportunities are greater than ever before. But these advantages have led them to realize their lack of social recognition. This realization establishes a need to achieve socially and culturally.

There is another social phenomena that we should consider. Often people who discriminate against other races or groups are people who feel a strong need for social recognition, and their insistence on the supremacy of their race is an attempt to gain some measure of social recognition and social prestige.

d. Esteem Needs

Esteem needs are the needs for respect, appreciation, admiration and prestige. Although everyone has a need for the recognition of others, certain people develop this need for esteem, (the need to be known and recognized by other people) to a greater extent. These people seek prestige and the success of leadership to fulfil their needs. Although few will attempt to be leaders of the nation, as social needs develop there will be a desire for the esteem which comes with leadership roles in community activities.

Many of you, as future businessmen, will find yourselves entering into your home communities and gravitating toward leadership roles, not only for the good of the community, but for the satisfaction of your own needs for esteem and prestige.

e. Self-Actualization Needs

The highest and most seldom-achieved needs are the needs of self-actualization: the needs to develop yourself as a person. A person who is self-actualized is capable of detached reasoning. He can look at a situation in its entirety and its effect upon groups and individuals without considering its effect upon himself as an individual. The self-actualized person is creative. He has the ability to go beyond existing limits, to create something entirely new and different. A self-actualized person can look realistically at his own culture and at the culture of others, seeing each as an adequate system for directing the lives of its members, seeing their strengths and weaknesses.

12. Now compare the classification of needs in the Readings with those suggested by the students in Sections 7 and 8 above.

13. Read Section 4 of the Readings and discuss.

4. Natural Needs, Learned Needs, and Desires

Most needs which a person develops as he matures are natural. However, one can develop learned needs which even over-ride some of one's natural needs. For example, a person who becomes hopelessly addicted to drugs finds his body chemistry so changed that regular use of the drug becomes a need stronger than such natural drives as eating and sleeping.

There are several environmental conditions that become learned needs. It is possible for humans to live with many fewer conveniences than most of us have. Some persons have acquired a learned need for houses with central heating, electricity, running water, carpets on the floor and televisions. Unless these learned needs are satisfied, these persons feel very deprived.

Anything that becomes so necessary that we cannot comfortably live without it has become a learned need.

A need, when it is satisfied, becomes a desire. Thus a person's body needs food; he becomes hungry (feels a need). When that need is supplied enough times by food he may then desire food even before the need arises. This desire may be for steak, or for ice cream, or fried chicken, when other foods would satisfy the need just as well. But these special foods are necessary to satisfy the desire.

14. Ask: "Can you think of any other needs?"

15. Show projectual MP2-2, "Deficiencies, Needs, and Desires". Relate it to Section 4.

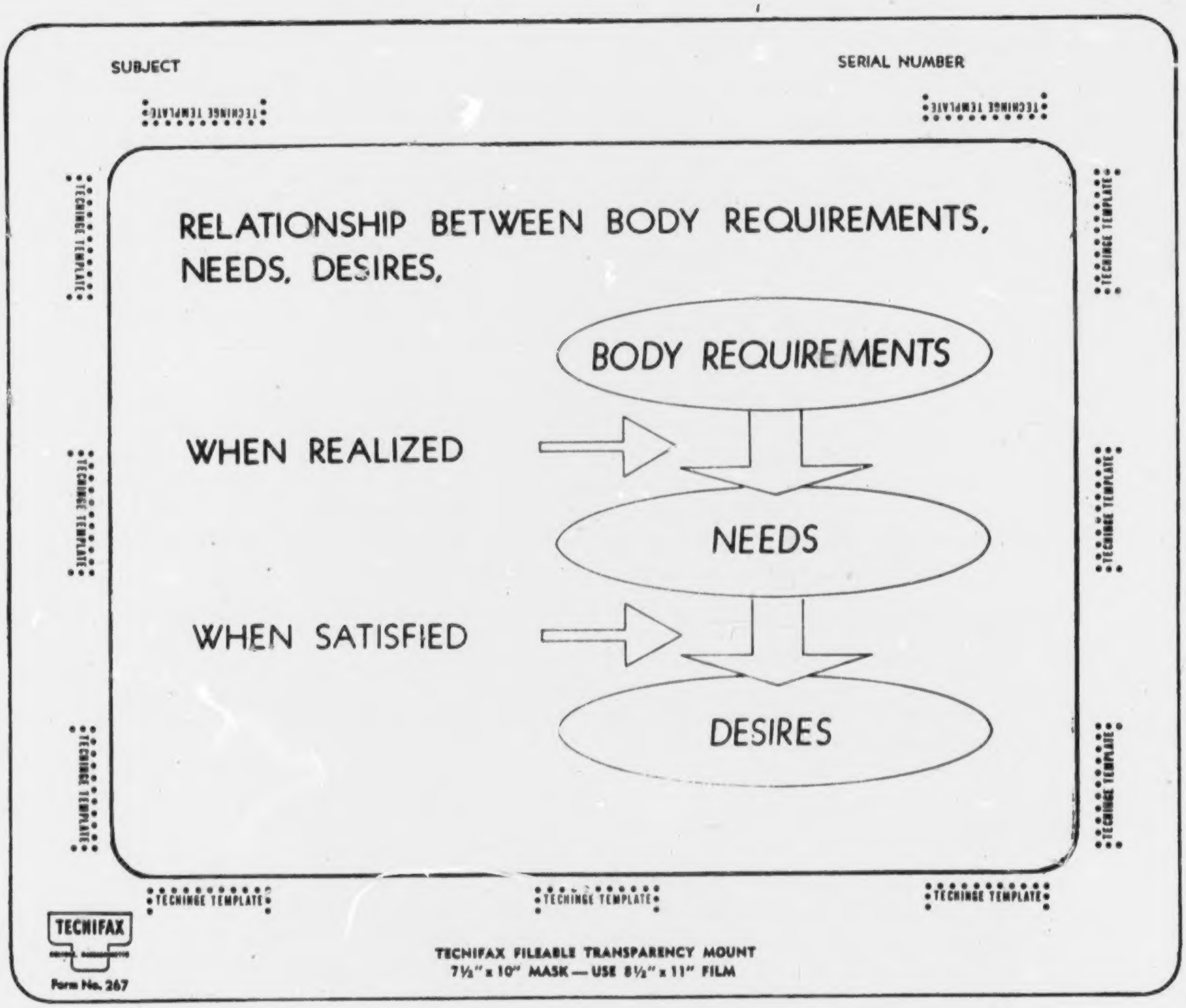
Indicator

16. Divide the students into groups again. Ask them to classify into one of the five categories (listed on the projectual) the following needs: beauty, love, insurance, food, competence, shelter, recognition, justice, prestige, sex, power, pension plan, self-confidence, gang, personal worth, police, freedom, lunch hour, social approval, air, self-respect, and achievement.

17. Have the groups share and justify their classifications. Encourage discussion.

18. Since the five categories are not rigidly defined, the students' classifications may be slightly different from the following:

MP2-2 DEFICIENCIES, NEEDS AND DESIRES



SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
TECHIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

RELATIONSHIP BETWEEN BODY REQUIREMENTS, NEEDS, DESIRES,

BODY REQUIREMENTS

WHEN REALIZED

NEEDS

WHEN SATISFIED

DESIRES

MP2

Physiological	Safety	Social
food	insurance	social approval
shelter	competence	love
sex	justice	gang
lunch hour.	pension	
air	police	
	freedom	

Esteem	Self - Actualization
recognition	beauty
prestige	self confidence
power	personal worth

OBJECTIVE 2: STUDENTS WILL RECOGNIZE THAT ORGANIZATIONS EXIST TO SATISFY THE NEEDS AND WANTS OF THE INDIVIDUAL.

Stimulus

1. Ask, "How does society go about providing the individual's needs?"

   NOTE: The purpose of this question is to get the student thinking in terms of all the organizations which surround us and help us to satisfy our needs.

2. If there is no response, probe by asking if it is possible for us to supply all these needs ourselves. Read Section 3 c again.

Clarify Problem

3. Ask the students to name organizations which help to satisfy our needs.

4. List these on the flip chart.

5. List the needs and wants satisfied by each.

Provide Information

6. Read Sections 5 and 6 of the Readings. Compare students' list of organizations to list in Section 6. Also discuss necessity of management training for the successful operation of organizations to fulfill needs.

5. Satisfying Human Needs

The hierarchy of human needs suggest that we have needs which must be satisfied in a certain order of priority. The body or physiological needs must be satisfied before safety needs can be; also safety needs must be satisfied before social needs can be. This hierarchy of needs will be discussed again in the lesson, "Why People Work" (PM1). People work to satisfy their physiological needs first of all, then their safety and security needs, and so on up the hierarchy. It is important to remember this when one considers motivation of employees.

Some needs such as our need for oxygen can normally be satisfied without any effort; however, most needs require some effort.

We find that many needs are best satisfied by group cooperation. This is why people form organizations to better attain their objective of satisfying their needs.

6. Organizations and Institutions Satisfying Our Needs

The following is a list of some of the organizations and institutions which help provide for our needs and wants.

a. The home - This is the most basic human institution, which if functioning properly, provides for fulfillment of most human needs.

b. The church - The church supplies a deep sense of belonging, a sense of order, and a standard of conduct.

c. The school - This organization gives a sense of belonging, a feeling of identification, recognition, and opportunity for expression and creativity.

d. Clubs - Clubs provide a sense of belonging, a feeling of identification, recognition, opportunity for expression and creativity.

e. Police Department - This institution helps supply security and a sense of order.

f. Welfare - Welfare departments supply fundamental deficiencies which exist in some homes.

g. Health Region - This organization provides safety, security and helps satisfy physical needs.

h. Art Society - The art societies help satisfy the need for recognition and creativity as well as providing a sense of belonging.

i. The Government - This institution provides protection, security, order, well being.

7. Read Section 7 of the Readings and discuss.

7. Summary

In addition to understanding one's self better, the knowledge of human needs helps a person understand business organizations which have the goal of satisfying our needs.

We find that as a result of our different needs, organizations do not fulfil all of them. New organizations are formed when we feel that they will be more successful in meeting our needs. Native people often find themselves in this situation. They have needs which present organizations or institutions are not meeting; therefore, they form new organizations with goals which come closer to meeting their needs.

Since you will be working with people and attempting to motivate them to higher achievement, one of the vital tools you will have at your disposal is a knowledge and recognition of the human needs which cause people to do things. As you work with clients, professionals and the community you will see patterns of how human needs motivate the people with whom you are working. If you can identify the needs behind the behaviors it will be easier for you to understand their problems, to develop programs of help, and to lead in community activities.

The Small Business Management course will help prepare you for the better management of organizations in order that these organizations better satisfy the needs of native people.

Indicator

8. Have students add other organizations or institutions which fulfil human needs.

9. Ask students to divide into small groups of four or five and brainstorm a list of the human needs satisfied by an organization such as a university, a hospital or a native association. Perhaps have a few groups do one organization and the rest others.

10. Have groups report back, list on flip chart and discuss; group should isolate personal needs (at all levels) which are satisfied.

11. Give the following assignment:

    "To become aware of the principle of human needs and how they affect our everyday life, each student will identify five behaviors which he observes among people of his acquaintance, and decide which needs the person is fulfilling by this particular behavior. Be prepared to share and discuss these behaviors and their corresponding needs with the group.

    "The level of needs that you will be looking for will be similar to these:

    a. A child's 'attention-seeking' behavior
    b. An adolescent's 'tough guy' or 'fast driver' behavior
    c. A person actively engaged in coaching Little League
    d. A businessman who works himself hard many hours a day, after he has already achieved success and wealth."

    Allow the students three days to observe and prepare their list of behaviors and needs, and then have them share their lists, and discuss them in a group. They may want to identify additional possible needs, or they may have different opinions of the needs causing certain behaviors.

12. After giving the students their assignment, review with them the lessons which they will have in the Management Process subject area. Read Section 8 and discuss.

8. Management Process Lessons

Before you go on to the next lesson, you should have an idea of all the lessons which are contained in the Management Process subject. In this way you will know what to expect in each lesson.

MP1 Introduction to Management Process
In this lesson you were introduced to the Small Business Management course. You saw the different subject areas of the course in a general way and you also saw the list of lessons which

you will have during the course. You also indicated what you expected to get from the course and the instructor indicated what was expected of you to make the course a successful one for you.

MP2 The Individual and His Needs
In this lesson you learned that we all have needs, that these needs are very similar from one person to another. You also learned that some needs come before others. As a final point you saw that organizations help people to fulfill their needs.

MP3 The Organization
In this lesson you will look more closely at the organization's characteristics and you will see the needs which different organizations fulfill. You will see that management is necessary to make an organization work.

MP4 What Is Management?
In this lesson you learn what management is all about. You will learn that management consists of four different functions: Planning, organizing, directing and controlling. Every organization must have these aspects of management if it is to be successful.

MP5 What Is Small Business
Since you are studying small business management, you should know what is meant by small business. In this lesson you learn to tell the difference between big business and small business.

MP6 Success and Failure in Business
Before you get started in business management it is important to know the reasons why some businesses fail and why others are successful. Part of the answer is in being able to do the four functions of management discussed in lesson MP4.

MP7 The Planning Function
This is the first step in management. Without a plan, it is difficult to know where to go. This lesson talks about the importance of plans for a successful business.

MP8	The Planning Function Reviewed: First Project In this lesson you review planning and you start a project which is a very small business. You will gain experience in planning your project.
MP9	The Organizing Function Plans are not enough in a business organization. It is necessary to organize the resources so that the business can operate and attain its goal.
MP10	Second Project The second project provides more experience in planning. It also stresses the job of organizing to arrive at your goal. It is important to know who does what within a business organization.
MP11	The Directing Function Without someone who is in charge of the different jobs to see that they are well done, the business may not be very successful. To direct a business you must know the jobs to be done and who is to do them. You must learn how to get the right people to do the job and then how to supervise them so a good job is done.
MP12	On-the-Job Training If it is possible for you, it is useful that you spend some time working in a business to get some experience and to observe how the manager does the functions he is required to do.
MP13	The Controlling Function This lesson deals with the job of checking to see that what was supposed to be done, was actually done. If there are plans for an organization and if people are told what to do, but the results are not those expected, then something has to be done to correct the situation. Controlling is the checking to see that the business is going according to plan.

MP14	The Management Functions Reviewed In this lesson you review all the management functions. It is important that you see how management functions fit in with the operation of the business.
MP15	Business and The Community Every business has certain responsibilities towards the community. This lesson gives you an idea of the relationship between the business and the community.
MP16	The Businessman and Business Ethics We are all responsible in some way to society. The businessman makes his living by providing a service. He must see that in providing this service he has certain responsibilities.
MP17	Review of the Course In this lesson you review the Small Business Management course.
MP18	Evaluation During the course you have had an opportunity to learn business management by using a different method than you find in most schools. Your instructor is interested in knowing what you liked about the course and what you did not like so that he can improve the course for other students.

You may wish to review this summary of lessons once in a while to see how the lessons tie in together in the Management Process subject.

SUBJECT MANAGEMENT PROCESS

LESSON MP3 THE ORGANIZATION

INSTRUCTOR'S GUIDE

OVERVIEW

In the previous lesson on the individual and his needs, we learned the hierarchy of human needs and the way various organizations satisfy these needs.

In this lesson we will deal with the characteristics of both informal and formal organizations. We will then consider in more detail one of the formal organizations which plays an important role in our society -- the business firm. We shall see how the business firm satisfies our needs, and how it can lead to conflicts as a result of the different needs.

The job of the manager is to see to the effective operation of the business firm. The various jobs of the manager will be dealt with in the next lesson. Management functions will also be studied as they relate to the business firm and its objectives.

OBJECTIVES

1. The student will be able to apply the main characteristics of organizations to ones they personally know.
2. The student will be able to identify the needs satisfied by business firms as well as indicate the contributions which must be made to the business organization by those whose needs are being satisfied.

REFERENCE MATERIAL FOR INSTRUCTORS

1. Hay, Robert, D. Introduction to Business. New York: Holt, Rinehart & Winston, Inc., 1968, pp. 22 - 28; 45 - 62; 79 - 94.

RESOURCES REQUIRED

1. Flip chart
2. Projectual MP3-1, "What is an Organization?"
3. Projectual MP3-2, "Contributions To and From Business"

METHODOLOGY

1. Hand out the Readings.
2. Read the Purpose and Introduction.

PURPOSE

The purpose of this lesson is to look at what an organization is, the types of organizations and their characteristics. Special emphasis will be placed on one of the most common organizations, the business firm.

INTRODUCTION

In the last lesson you were introduced to the fact that the organization is a means of satisfying human needs. You saw how a number of organizations with which you are in contact every day actually help you satisfy your needs.

For the most part you have probably taken organizations for granted. How do they function? Who makes them work? What are the characteristics of organizations? Are there certain similarities between organizations? How does the business firm compare to other organizations? These are some of the questions you will be discussing in order to gain a deeper understanding of organizations.

Regardless of the work you do when you finish this course -- whether you work with the community, government, business or native associations -- you will be involved with organizations.

OBJECTIVE 1: THE STUDENT WILL BE ABLE TO APPLY THE MAIN CHARACTERISTICS OF ORGANIZATIONS TO ONES THEY PERSONALLY KNOW.

Stimulus

3. Show the projectual MP3-1, "What is an Organization?".

4. Ask these questions:

   a. Is a group of people waiting for a bus an organization?
   b. Is a group of people having lunch together an organization?
   c. Do a group of people working for a business make an organization?

Clarify Problem

5. Ask students to brainstorm the factors required to have an organization. List on the flip chart.

   Have students probe into organizations they know to see what makes an organization. (This should prepare students for the definition, types and characteristics of organizations.)

6. Read Section 1 of the Readings.

CONTENT

1. Defining an Organization

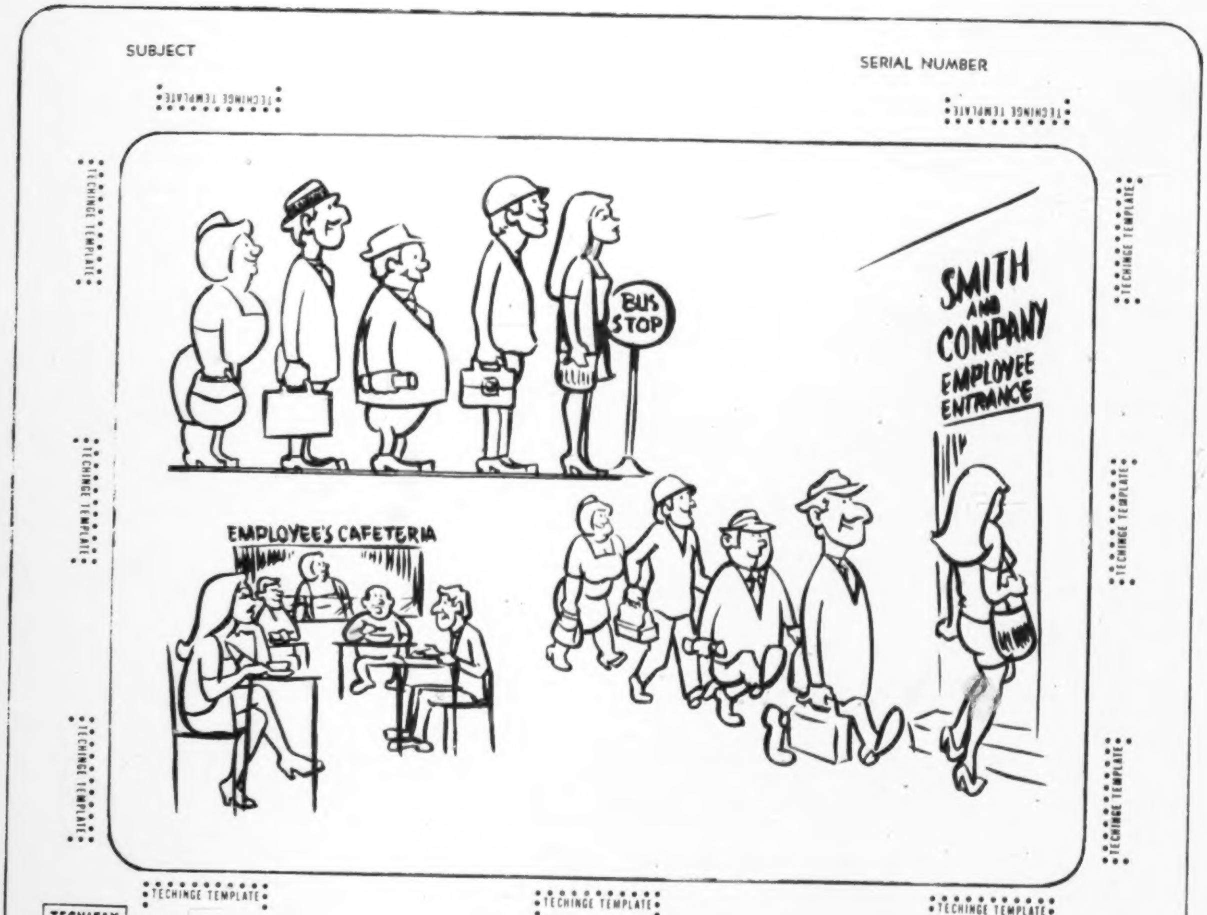
An organization can be defined as two or more people working together under leadership, using resources (men, machines, materials, money) to accomplish objectives or goals.

A brief explanation of the definition will help clarify it. Leadership is the co-ordination of the efforts of the different people working together. Under effective leadership everyone has the same idea of what has to be done. (As we go further into the study of organizations, leadership will be stressed.

Another aspect which is important in the definition of an organization is the idea of objectives or goals. An organization does not exist if it has no objective or goal. Why should people work together if they do not have some common purpose? You will recall from the last lesson that organizations help satisfy needs. An organization's objective will then be to satisfy certain needs of a certain group of people.

MP3

MP3-1 WHAT IS AN ORGANIZATION


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
BUS STOP
SMITH AND COMPANY EMPLOYEE ENTRANCE
EMPLOYEE'S CAFETERIA
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

In working together to arrive at a common goal, the organization will be using resources. You will hear a lot about resources in the course. The resources an organization uses are people, money, buildings, etc. The Small Business Management course really deals with how to use resources to obtain a certain goal.

7. Have students consider a specific government department, community organization, police department, business firm, and native association. Ask what the goals of these organizations are.

8. Read Sections 2 and 3 of the Readings.

2. Importance of Organizations in Our Society

As you saw in the last lesson, you live in a highly organized society. You were likely born in an organization, educated in an organization, work for an organization, obtain your necessities of life from an organization; your recreation is normally through some sort of organization and you deal frequently with one of the largest of organizations: the government. Our society believes that the use of organizations is one of the best ways of satisfying our needs.

We will now look at the two basic types of organizations: the informal social grouping and the formal organization.

3. Informal Organizations

The informal organization is less "organized" than the formal organization. It consists of informal groups which have interaction within their own group as well as other groups. You will recognize many of these informal social groupings in our society. They exist to meet people's need to be together and be accepted by others. (For example, a group of friends who meet to have lunch together everyday.) The goal or objective of the informal grouping is not usually clearly spelled out. However, it is there.

You will not be concerned with informal groupings except to the extent with which they affect formal organizations.

9. Discuss informal organizations that the students know.

10. Read Section 4 of the Readings.

4. Formal Organizations

The definition of an organization given in Section 1 applies mainly to the formal organization. A formal organization must have clearly-set objectives; these objectives are the values that the organization seeks to achieve.

Once the objectives are set, the next step is to decide what work is necessary to achieve the objectives. Usually it is suggested that if people will divide the work into simple tasks, it can be done more efficiently.

The formal organization has a boss or leader to see that the organization will obtain the objective set out. Otherwise, the efforts of the various people might be concentrated in different directions so that the objective would not be attained.

The leader, president or boss, must have some authority to direct the organization in the right direction. He must have some control over the actions of others in the organization. When many people work together and the job of directing the efforts of everyone is too great for one man, he shares his authority with others who help him see that the organization is well directed; this is called delegation.

The leader has the responsibility of seeing that the objectives of the organization are reached. If they are not reached satisfactorily, either the leader will be replaced or the organization will disappear.

Because of the necessity of one or more leaders to direct the organization towards its goals, communication skills are greatly needed.

11. Have the students list the title of the leader in each of the organizations considered in point 7 above. Below are suggestions:

Organization	Title of Leader
Government Department	Minister, Deputy Minister
Community Organization	President
Police Department	Chief
Business Organization	President, General Manager
Native Association	Chief, President

12. Read Section 5 of the Readings and discuss each subsection.

5. Characteristics of an Organization

The description above permits us to summarize the main characteristics of a formal organization:

a. Objective or Goal
People participate in organizations because they believe the organization can help them satisfy their personal needs better than individual efforts can. The objective or goal of the organization is its purpose. It is not possible to have a formal organization which does not have a purpose. It would be like a ship on a windy sea which has no destination and is simply blown about.

b. A Number of People
An organization requires a number of people working together to arrive at the organization's purpose. Without people, there are no needs to satisfy and so no need for an organization.

c. Leadership
If the efforts of people working to further the goal or objective of an organization are to be effective, these efforts must be co-ordinated. The leader of an organization may be called president, manager, chief, premier, prime minister, director or boss. The name matters little.

The leader's job is to see that the organization attains its goal. It is his responsibility to do this.

To facilitate the carrying out of his responsibility the leader has authority. This means he has the power to direct the work or activities of the people within the organization.

The job of the leader can become too big for one person to handle. If it does, he then delegates part of his responsibilities and authority to others who help him direct the organization towards its goal. In delegating his authority and responsibility however, the leader does not lose either his authority or his responsibility.

d. Communication
The job of co-ordinating the efforts of individuals within an organization requires good communicating ability. The way communication goes from leader to worker and back from worker to leader is important for the efficient

operation of the organization. In larger organizations, there is a formal pattern for communication. The line of communication can be indicated by an organizational chart which will be seen in a later lesson (MP8).

e. Conflicts

As you saw above, the organization has goals or purposes. These organizational goals may not always coincide with those of the individuals. The organization may satisfy certain needs of an ~~individual~~, such as a need for income, but produce certain other conflicts where the goals of the organization and those of the individual differ. In such cases, the leader or boss must see to it that the organization's goals are attained. The individual will have to decide whether to leave the organization for another, or stay with it in spite of the fact that he lacks complete satisfaction.

It is seldom possible for an organization to satisfy all the needs of every person it employs. This is especially true in large organizations where there is little flexibility and much red tape. Very often general rules (which apply to all employees) are necessary. When these are inflexible, they can create conflict with the workers' personal needs. We will see in the next section the difference between organizational goals and personal needs (goals) and how these may create conflict in the business firm.

13. Ask the students to list conflicts they have had in working in organizations. How could these have been overcome? Would the solution create other problems?

14. Consider again the organizations in point 7 and look at possible conflicts these organizations might have. How could these conflicts be overcome? Would these changes create new conflicts or cause the organization to deviate from the original objective?

Indicator

15. Have the students divide into groups of four or five and choose an organization (preferably one not previously discussed.) Tell them to show how this organization meets the main characteristics of an organization.

16. Have each group discuss with the rest of the class the organizational characteristics it found. Clarify any points which are not clear. If necessary, review points of the lesson.

17. How do the characteristics discussed above compare to those listed on the flip chart (from the brainstorming in point 5.)

OBJECTIVE 2: THE STUDENT WILL BE ABLE TO IDENTIFY NEEDS SATISFIED BY BUSINESS FIRMS AS WELL AS INDICATE THE CONTRIBUTIONS WHICH MUST BE MADE TO THE BUSINESS ORGANIZATION BY THOSE WHOSE NEEDS ARE BEING SATISFIED.

Stimulus

1. Have students choose a business of their choice and have them brainstorm a list of all people or other organizations whose needs are likely to be satisfied by this business firm.

Clarify Problem

2. For each individual, group or organization listed above, have the student list the needs which would likely be satisfied by the business in question.

Provide Information

3. Read Section 6 of the Readings.

6. The Business Firm

One of the most common organizations and the one of most interest to the Small Business Management students is the business firm.

It is important to note that the business firm as an organization has objectives or goals which are independent of the goals of the individuals working for the business firm. The organization is considered a separate entity (person) which has its own objectives.

a. Business Objectives
Traditionally the main objective of business firms has been to make money. For some business firms it is to make the most money possible. This need not necessarily be the business' objective, however, if the owners of the business firm decide otherwise. The business firm's goal might be to provide employment or to provide a needed service for a community.

Regardless of its other objectives, if a business firm is to survive and be viable, it must make enough money to pay its expenses, provide for future replacement of equipment and provide for reserves for periods of uncertainty. It is a frequent mistake of businesses which do not wish to maximize their profits, to settle for too low a profit with the consequence that the very survival of the business is in jeopardy.

b. Employee Needs

To survive, the business firm must also satisfy some personal needs of its employees. The employees contribute labour and management to the business firm, and the firm contributes income to purchase needed products and services. The products and services produced by the business are themselves a contribution to the economy. In this way, the individuals working for a business gain in terms of income, satisfaction of work, companionship, etc., and the firm gains in its production of goods and services.

Other personal needs which a business firm can satisfy include job security, recognition, a feeling of power, good working conditions, and an opportunity for advancement.

c. Leader and Manager Needs

Managers are in need of salaries for their services. Also much the same needs as their employees are satisfied by working for the business firm.

d. Customer Needs

A business usually must satisfy other needs besides those of the organization and the employees. If the business is to survive, it must provide a product or service that customers want or need at a price and quality which is satisfactory.

e. Owner Needs

The owners of the business must be satisfied that they are obtaining their objectives from the business. They must be getting a satisfactory return for the money invested in the business.

f. Supplier Needs

In most cases the business will be dealing with other businesses which have needs. The business firm must satisfy its supplier's needs of being paid on time, etc.

g. Creditor Needs
The business will likely owe money to creditors. Creditors also have needs: to be paid their interest and principal due, and to receive information on how the business is doing.

h. Government Needs
The business firm as an organization also deals with various levels of government. The Government has needs for information, taxes, as well as assurance that the business meets certain standards and regulations to protect consumers.

i. Community Needs
The business firm must also meet community objectives or needs.

4. Read Section 7 of the Readings and discuss showing projectual MP3-2, "Contributions To and From Business".

7. Contributions to Business

The business satisfies many needs, but it has needs which must be satisfied as well. Each of the persons or organizations receiving something from the business must contribute something. (One cannot expect to have his needs satisfied without providing something in return.)

The contributions made to business and by business are outlined below:

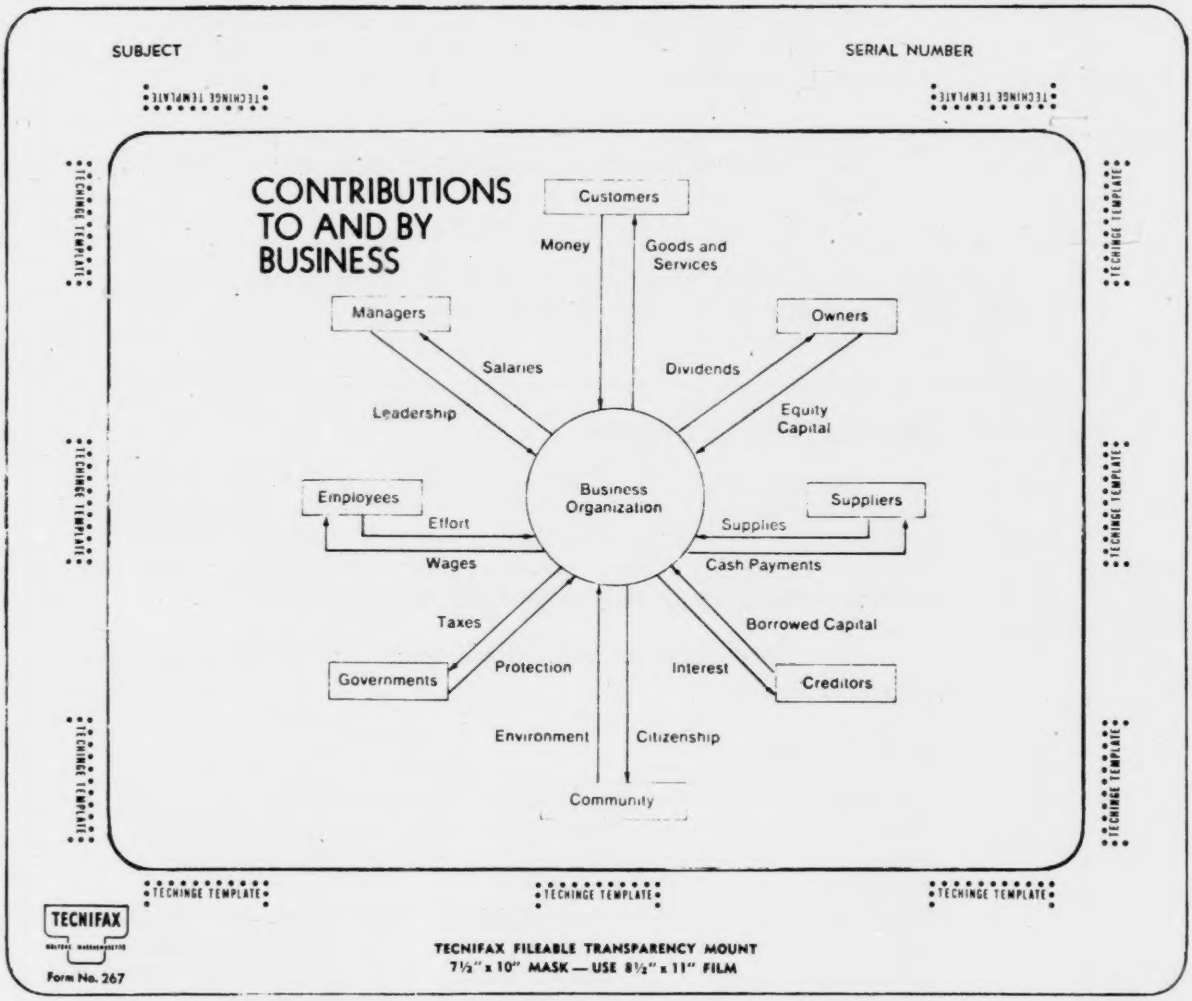
Contributions:

Customers ----------- contribute -------- Money
Owners -------------- contribute -------- Equity capital
Employees ----------- contribute -------- Effort, work
Managers ------------ contribute -------- Leadership
Suppliers ----------- contribute -------- Supplies, merchandise
Creditors ----------- contribute -------- Borrowed capital
Government ---------- contributes ------- Protection, services
Community ----------- contributes ------- Environment

Benefits Received

Customers ----------- receive ----------- Goods & Services
Owners -------------- receive ----------- Dividends
Employees ----------- receive ----------- Wages
Managers ------------ receive ----------- Salaries

MP3-2 CONTRIBUTIONS TO AND FROM BUSINESS


SUBJECT
SERIAL NUMBER
CONTRIBUTIONS TO AND BY BUSINESS
Customers
Money
Goods and Services
Managers
Salaries
Leadership
Owners
Dividends
Equity Capital
Business Organization
Employees
Effort
Wages
Suppliers
Supplies
Cash Payments
Taxes
Protection
Governments
Borrowed Capital
Interest
Creditors
Environment
Citizenship
Community
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

Suppliers ------------ receive ---------- Cash Payments
Creditors ------------ receive ---------- Interest
Government ----------- receives --------- Taxes
Community ------------ receives --------- Community Citizenship

5. Read Sections 8 and 9 of the Readings and discuss.

8. Conflicts

As we can see the business firm as an organization has its own objectives to meet. It must also consider those of its employees, its customers, the owners, the suppliers, the creditors, and the government. This means that there are many aspects to operating a business which must be considered.

With different objectives from these groups and organizations, there are bound to be some conflicts. The leader of the business organization must do the best he can to meet all these needs while still ensuring the survival and growth of the business. He will then have to make decisions as to which needs are most important when there is conflict which cannot be resolved.

9. Summary

The Small Business Management course prepares the course participant to play a leadership or manager role in the business organization. By means of the Small Business Management course students can learn how to help people meet their needs through organizations. Since the business organization has the same general characteristics as other organizations, the student should find the course useful in giving leadership not only in business but also in any other organization.

In future lessons, the emphasis will be on business organizations more than on organizations in general. The course will deal with how to make a business function effectively.

Indicator

6. The discussion during the lesson serves as the indicator for this lesson. Review any sections of the lesson which appear unclear.

SUBJECT MANAGEMENT PROCESS

LESSON MP4 WHAT IS MANAGEMENT?

INSTRUCTOR'S GUIDE

OVERVIEW

In the last lesson we looked at the characteristics of an organization. We saw that the organization is formed to satisfy needs of individuals and other organizations, in return for which it receives contributions.

We saw that an organization requires leadership to co-ordinate the efforts of all the people working in the organization. This lesson will look more closely at leadership -- at what is involved in directing an organization toward its goals.

The business organization has been discussed as a special type of organization. It has the same general characteristics as other organizations but has, of course, its own specific objectives or goals.

The job of co-ordinating the efforts of all those working towards a business organization's goals is called management and the job is normally performed by the manager.

In this lesson we will study management in a general way, leaving the more specific aspects to future lessons.

OBJECTIVES

1. The student will be able to define management in his own words.
2. The student will be able to relate the functions of management to the major jobs of the manager.

3. The student will be aware that management is a dynamic and ongoing process.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Flippo, Edwin B. Management: A Behaviorial Approach. Boston: Allyn and Bacon, 1970, pp. 3 - 18.

2. Sisk, Henry L. Principles of Management: A Systems Approach to the Management Process. Cincinnati, Ohio: South-Western Publishing Company, 1969, pp. 1 - 15.

RESOURCES REQUIRED

1. Flip chart
2. Projectual MP4-1, "The Many Hats Worn by the Owner-Manager"
3. Projectual MP4-2, "The Functions of Management"
4. Case MP4-1, "Many Irons In the Fire"

METHODOLOGY

1. Hand out the Readings.

2. Read the Purpose and Introduction.

PURPOSE

The purpose of this lesson is to discover what management means. We will examine some of the jobs (activities) of the manager in operating a business, and show how the general functions of management are related to these jobs and to each other.

INTRODUCTION

In previous lessons we saw that as human beings we all have a hierarchy of needs. We also saw that in our modern society organizations are often necessary to satisfy our needs.

In addition, we learned that for an organization to exist it must have a goal or objective. Also, since two or more people are involved, leadership is needed to co-ordinate these people's efforts to reach their goal.

In this lesson, we take a closer look at management which is a type of leadership ; the job of management is to help people work together to reach the organization's goals.

Since the balance of the course is devoted to the tools, skills and knowledge which help a business organization succeed, it is important to grasp the concept of management in this lesson. To see the importance and relevance of the various subjects and lessons within the course, it is important to see how they fit the concept of management. As you proceed in this lesson and in future lessons, you should discuss with your instructor any difficulty you have in seeing how the material you are learning relates to management.

3. Discuss the Purpose and Introduction.

OBJECTIVE 1: THE STUDENT WILL BE ABLE TO DEFINE MANAGEMENT IN HIS OWN WORDS.

Stimulus

4. Ask students to break into small groups of four or five and define what management means.

Clarify Problem

5. Have the students come back into one group and ask them to present their definitions.
6. Have the students write on a flip chart the elements of management as discussed in the small groups.
7. Construct a new definition based on the ideas contributed by the different small groups. Write this definition on the flip chart.

Provide Information

8. Read Section 1 of the Readings.

CONTENT

1. Management Defined

In the last lesson we saw that every organization - social, business, governmental, community, political - requires a leader to direct its goals or objectives. We also saw that without leadership, organizations flounder about having no direction and little purpose. The type of leadership that is required is usually called management.

Management is found not only in business organizations. It exists wherever there is a group of people co-operating to attain an objective of some kind. Wherever or whenever the actions of several people must be directed towards a common goal, there is a need for management. The Small Business Management course deals with management; the principles of management learned here (although essential for good business) can apply to any organization with which you will deal.

MANAGEMENT can be defined as the process of organizing and employing resources to reach a pre-determined objective.

Generally management is responsible for the success or failure of a business. It has been said, it is management's job to direct the organization towards its objective. In directing the organization, the manager must also see that the best use is made of resources.

An easy way to remember these resources is to consider the 4 m's: men, materials, machines and money. Certainly people (men) are the most important element, but it is impossible to operate a good business without the proper and efficient use of materials, machines and money. If money is wasted or poorly invested or if the wrong machines are purchased (or if they are not properly cared for) the business will have difficulty succeeding.

The goal or objective to be reached can be whatever the business organization wants it to be. Some typical objectives are to:

a. Make a lot of money for the owner
b. Provide a service to the community
c. Provide employment for residents of a community
d. Provide the owner a job.

There may be any combination of these or many others.

Regardless of a business's other objectives, the one which is essential is survival. It is necessary that the business make sufficient money to continue operations. This means it has to make at least enough money to pay expenses, pay the manager's wages, make payments on borrowed money and provide for replacement of old or worn equipment and machines.

Most businesses are not satisfied with this minimum. They want some money set aside for an emergency as well as for expansion. The owners usually also want some return on the money they have invested as well as a return for their management skills.

Management may be more easily understood if we consider the jobs or activities of the manager of a business. What does he do to be effective in reaching goals? How does he do it? In the next section you will examine some of the jobs or duties of the manager and you will see that these jobs or duties relate to certain general functions which are part of the managment concept.

Indicator

9. Ask the students individually or in groups to write in their own words what management means. Compare these definitions to those first developed by the group in point 4 above and also compare to definitions provided in the Readings.

OBJECTIVE 2: THE STUDENT WILL BE ABLE TO RELATE THE FUNCTIONS OF MANAGEMENT TO THE MAJOR JOBS OF THE MANAGER.

Stimulus

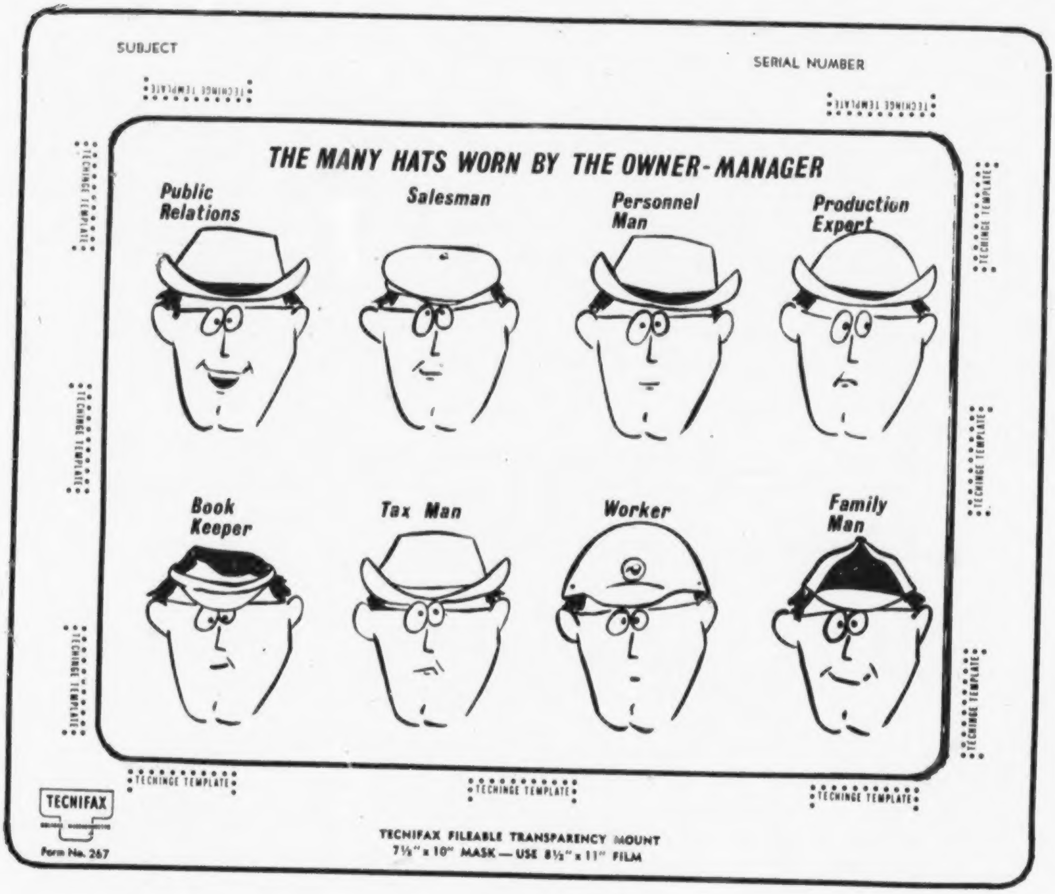
1. Select a particular small business (or let the students select one) and ask the students to brainstorm the jobs the manager would do in this business. Ask a student to write them on a flip chart.

Clarify Problem

2. Show projectual MP4-1, "The Many Hats Worn by the Owner-Manager". Discuss with the students. Compare the projectual with the jobs listed on the flip chart.

MP4

MP4-1 THE MANY HATS WORN BY THE OWNER-MANAGER


SUBJECT
SERIAL NUMBER
THE MANY HATS WORN BY THE OWNER-MANAGER
Public Relations
Salesman
Personnel Man
Production Expert
Book Keeper
Tax Man
Worker
Family Man
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

3. The purpose of the exercise is to illustrate to the student that the manager of a small business must do many things to make a business operate well. This means that knowledge is required in these areas. The projectual lists only a few of the many occupations of a manager. For instance: being a salesman (or selling) is only a small part of the marketing job. The instructor can use the projectual as a stimulus for delving further into the jobs of the manager.

Provide Information

4. Read Sections 2 and 3 of the Readings.

NOTE: Before dealing with the jobs of the manager, Section 2 of the Readings will first consider the functions of management.

2. Jobs of the Manager

The jobs or activities of the manager in directing an organization towards its goal are numerous. Only a few will be considered here, but class discussion will bring out many more. The major jobs of a manager are: marketing, personnel management, bookkeeping and production. Each of these big categories of jobs can be broken down further into smaller jobs.

Marketing, for instance, is the job of getting the product(s) or service(s) to a customer. Involved in marketing are numerous sub-categories of jobs such as: ordering, purchasing, stockkeeping, pricing, selling, promoting, advertising and displaying.

In the personnel job, the manager must see to such activities as interviewing, hiring, training, encouraging, morale, enforcing, disciplining and giving orders.

In accounting and bookkeeping, the manager must record sales, prepare financial statements, make deposits, pay bills, record and pay taxes, arrange for loans, make payments on loans, handle customer credit, set credit policy, prepare payroll, handle bad debts, analyze financial statements as well as other jobs.

All managers will not necessarily do all of these jobs. Depending on the size of the business, some of these jobs may be performed by other employees. When this happens, the manager must co-ordinate the work of these people so he gets the information necessary to do his job of guiding the business to its objective(s).

The Small Business Management course provides training in these and many other areas to prepare you for the job of managing a business. You may need some experience before you can do all the managing yourself, but the course will provide the necessary background for you to learn quickly on the job.

3. Functions of Management

In performing his jobs or activities, the manager performs four basic functions. A study of these functions will help you to understand the nature of the work of the manager in guiding the business organization to its goal(s). An analysis of the four functions of management will tell you what management does. The functions of management are:

Planning
Organizing
Directing
Controlling

a. Planning

Planning involves checking all relevant information assessing likely future developments and coming up with a recommended course of action or plan.

It is the manager's idea of what he expects the business to do in a certain period of time. This means the manager will try to foresee the amount of profit the business will produce. To do this the manager must estimate the revenue and expenses of the business.

To estimate revenue, the manager must consider his future sales. Who are his customers? What are their incomes? How much are they likely to buy from him? What products or services do they want?

To estimate expenses, a detailed examination of all expenses is important. This may mean checking other similar businesses for an idea of what expenses are involved, or it may mean consulting someone who is familiar with the expenses involved.

Planning involves the review of all aspects of a business. In addition to the profit plan, the manager must also consider personnel, production, and marketing plans.

Planning for a business normally involves a long-term plan (five, ten or even fifteen years) and a short-term plan (a few months, a year or two).

Some of the questions a plan should answer are: Is the financing adequate? Are costs being controlled? How will the business be adjusted if there is unexpected competition? Are employees being trained to give the desired service?

Planning is largely a pencil and paper job. It is the operation of the business on paper. By trying to foresee the future needs of the business, many mistakes can be avoided. It is cheaper and much less disastrous to make mistakes on paper than in the actual operation.

b. Organizing

The second management function is organizing. To be of use, plans have to be carried out. Organizing means obtaining the necessary resources of men, materials, machines and money and setting up the business where and in the way that these will work together. It may be the setting up of an outfitting camp, a general store, a service station or a taxi business. Organizing will mean seeing to the purchase of the necessary buildings, land, equipment, machines and stock. It will also mean hiring the right people when they are required and determining their work, responsibilities and authority (determining what each employee will do, when, where, and how).

Organizing therefore involves doing the things necessary to carry out plans.

c. Directing

The function of directing applies to the employees. It includes the supervision, leadership, order-giving, and motivation of, as well as the communication with, employees. If the business is to be a success, the employees must be effective in doing their job. The manager has a real responsibility in ensuring that employees are capable of doing the job. The manager in his function of directing must see to the training and disciplining of employees. The manager must co-ordinate the efforts and promote good morale to encourage better employee performance.

The directing function is an on-going one which will take the manager's constant consideration. Without good direction, the best laid plans and best method of organization may mean little.

d. Controlling

Controlling involves measuring the performance of the business. Its function is to see that the plans and objectives are being reached. If not, then corrective action may be necessary by new plans or better organization.

At the end of the year, the books of the business will indicate if the financial goals were reached. If the profit was too low, new ways of increasing it will be necessary. The controlling function, therefore, evaluates the performance of the business in its financial, personnel, marketing and production activities. Control is required in the area of sales, costs, profits, output, quality, labour turnover, accidents, employee morale and labour relations.

The four functions of management are involved in many of the jobs or activities of managers. These functions will be studied in detail later in the course. A lesson will be devoted to each of the functions.

5. Discuss the Readings. Using Projectual MP4-2, "Functions of Management", make sure the students understand the four functions of management and how these are coordinated.

6. Read Section 4 of the Readings.

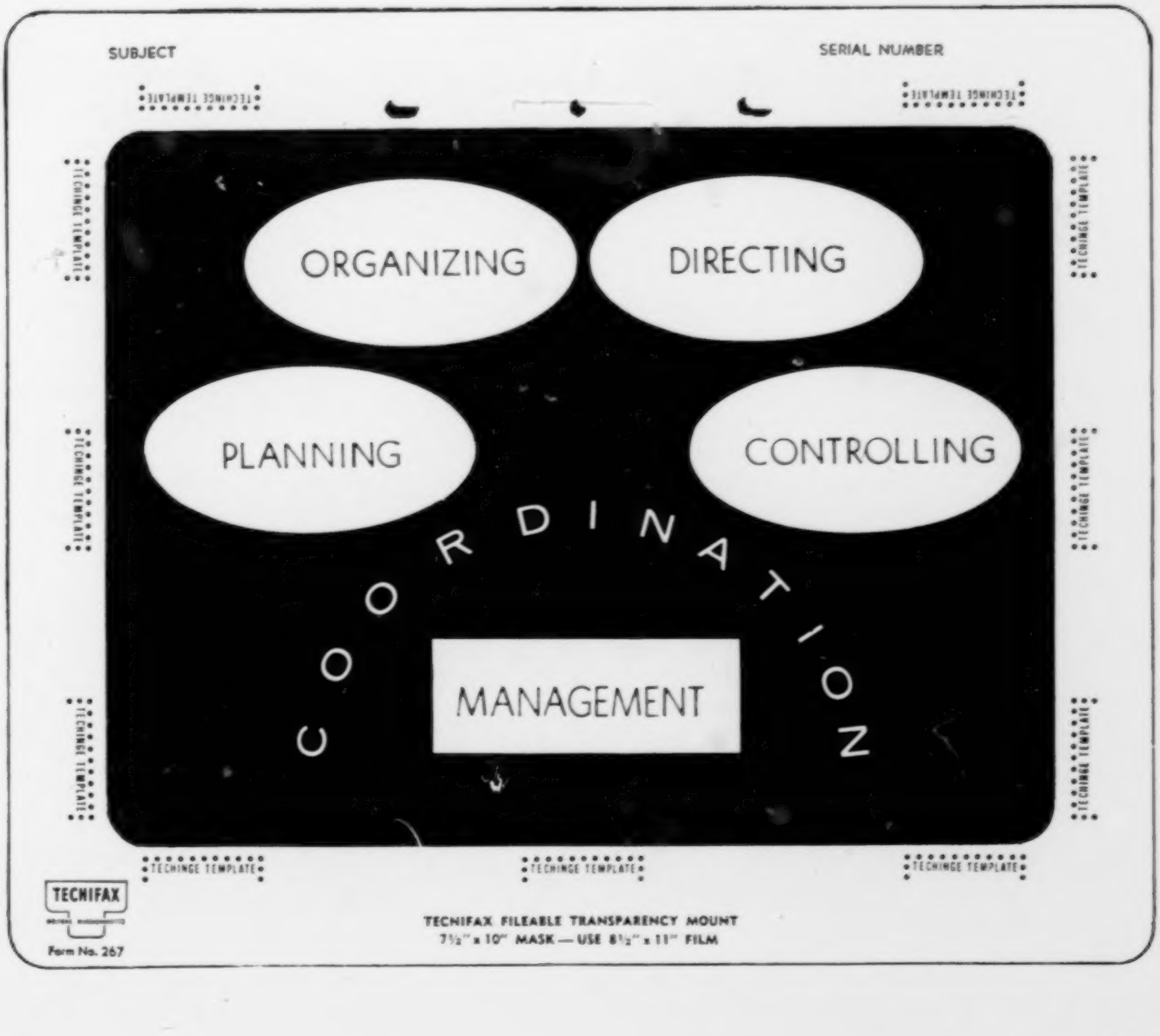
4. Relationship of Manager Jobs and Management Functions

The management functions are overriding considerations which the manager must deal with in carrying out his role as manager. As we mentioned previously, even if the manager assigns the responsibility for a specific job to another employee, the manager will still be involved in the management functions associated with the job.

Bookkeeping and accounting are jobs associated largely with planning and controlling.

Personnel management requires all four management functions: planning is involved in determining what personnel is required; organizing is involved in setting our the necessary responsibilities, authority and accountability; directing is involved in supervising the employees in their day-to-day work; and controlling is involved in the review of performance of employees.

MP4-2 THE FUNCTIONS OF MANAGEMENT


SUBJECT
SERIAL NUMBER
ORGANIZING
DIRECTING
PLANNING
CONTROLLING
COORDINATION
MANAGEMENT
TECHINGE TEMPLATE
TECHIFAX
Form No. 267
TECHIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

The other jobs of managers (marketing, productions, etc.) also involve some or all of the four functions. Review your list of manager jobs and determine what functions are involved in each.

7. Discuss the Readings.

Indicator

8. To test the students' understanding of the interrelationship between management functions and jobs, name various jobs of the manager and ask the students to indicate which functions apply and why.

   Below are some examples:

   Personnel management is part of both the directing and organizing functions. (Morale in the business and disciplining are part of directing. Hiring or recruiting procedures are part of organizing.)

   Bookkeeping and accounting jobs are aspects of the planning and controlling functions. Bookkeeping provides the necessary information for planning as well as for checking up on the business (controlling). Accounting interprets the results of the business; this is essential for both planning and controlling.

   NOTE: If the student can understand the interrelationships of the various jobs and the functions of management, future lessons will have more meaning and relevance.

9. Read the Case MP4-1, "Many Irons In the Fire". Have students work in small groups. Ask them to list all the examples of planning, organizing, directing and controlling they can see Bob Casey do in the case.

   Then regroup students in a large group. Have students list their examples for each function and have them discuss these.

   The following are some of the points which the students may classify under the appropriate headings of planning, organizing, directing and controlling.

   a. Marketing - What products and services should I sell? What price should I charge? How should I promote my business? How can I increase my sales?

b. Production - Should I make or buy my products? (for example, food for restaurant). How much should I make? How much inventory should I keep?

c. Business Organization - Should I set myself up as a limited company or just leave it as a private family business? What are the advantages and disadvantages of becoming a limited company?

d. Record Keeping - What records should I keep? How can I tell which part of my business is making money and which part isn't? What records do I have to keep for the government? What records does the oil company require? How can I tell how much profit I am making? What are my expenses in operating the business?

e. Finances - How can I figure out how much money I need to keep my business going all year? Where can I borrow money? How much will it cost me to borrow money? How much can I afford to pay back per month? How much money should I draw out of the business each month?

f. Credit - How much should I let people charge up? How can I collect bills people owe?

g. Managing People - How much help do I need? What jobs will they do? Where and how can I get good help? How much should I pay them? How can I make sure they do a good job? What do I do if they aren't working efficiently?

h. Personal Finances - How can I keep my family finances separate from the business? How can I keep a family budget?

OBJECTIVE 3: THE STUDENT WILL BE AWARE THAT MANAGEMENT IS A DYNAMIC AND ON-GOING PROCESS.

Stimulus

1. Ask: "At what stages in the business operation does planning take place? Does planning take place only prior to starting a business? Does controlling take place ONLY at the year end? When do organizing and directing take place?"

Clarify Problem

2. Have students consider the following situations:

   a. Although the plans for the business call for expansion, an economic downturn or recession takes place; what planning is now required?

b. There is a decrease in sales and less staff is required; what should be done with the extra staff? Is this a change in organization?

c. Employees are not doing their job adequately; what action should be taken? Does this involve control? Does it involve directing?

Provide Information

3. Read Section 5 of the Readings and discuss.

5. Management as a Process

It seems logical to consider the four functions of management as following one another in the sequence they were given above. Although this is a logical approach which is followed by a new business, the four functions are on-going in an operating business. There is continuous planning and controlling. Changes in organization are made whenever a correction is required. Directing is also a continuous activity.

Management is therefore considered a process. The functions never really stop. Planning cannot stop if the business is to survive, neither can the other functions. In fact, a number of the functions may (and must) be conducted simutaneously.

The manager must always keep these functions in mind if he is to keep the organization moving towards its objectives.

4. Read Section 6 of the Readings.

6. Summary

Now that we have seen the jobs of the manager and we have seen the functions which make up management, we can define management as the co-ordination of all resources through the processes of planning, organizing, directing and controlling in order to attain stated objectives.

MP4

The balance of the Small Business Management course will deal with the tools, skills and the knowledge which are required to carry out the functions of management. The field of Business Management is vast and the job of managing can be complex. The Small Business Management course will prepare you to do the planning, organizing, directing and controlling functions, in business or any other organization with which you may be involved.

Indicator

5. Have the students consider an outfitting camp business.

   a. What planning is required prior to starting the business? During the first year? Prior to starting the second year?

   b. What organizing is required prior to starting a business? In each year of operation?

   c. What does management do in directing? When does management direct?

   d. How does management control:

      (1) the financial aspects?
      (2) the employees?
      (3) the quality of service given tourists?

   NOTE: Student discussion should show an awareness of the fact that management is a dynamic and on-going process.

SUBJECT MANAGEMENT PROCESS

LESSON MP4 WHAT IS MANAGEMENT?

CASE MP4 - 1

MANY IRONS IN THE FIRE

INTRODUCTION

Bob Casey, a Native person, owns and operates a cafe, a service station, a motel and a bulk oil and gas business. He is a man with "many irons in the fire."

BACKGROUND

It took Bob a long time to set up his business. There was a lot of hard work and worry in it.

At first Bob worked for a construction company building houses, then for a garage doing welding and mechanic work. Bob had quite a few qualifications for these jobs. He had gone to technical school and learned carpentry, welding and mechanics. He didn't like working for other people so he kept his eye open for a chance to get into business for himself.

Bob's first idea was to start a service station on the main highway leading into the northern part of the province. He wrote to all the big oil companies to see if they would lend him the money to get started. None of the oil companies seemed too interested at first because Bob didn't have any money of his own saved up. They wanted him to finance part of the operation himself. Bob met the same problem when he tried to get a loan from the government. The government also wanted to be sure he could put up part of the money himself.

MP4

Finally after working on different carpentry and mechanics jobs for five years Bob Casey was able to save up enough money to pay for part of the costs of setting up a service station. The oil company gave him a loan to help pay for materials for the building (which Bob built himself). They also sold him the gas tanks and some equipment on credit. The government gave him a loan to buy the land near the highway. Since Bob did all the work himself, he had enough money left over to build a cafe beside the garage. This was a real good thing. People liked to stop and eat and buy things at the same time they purchased gas. Bob's wife, Eva, looked after the cafe while Bob ran the service station. Even the kids helped wait on tables and serve gas. This business was a real family affair.

Bob Casey's service station and cafe were the only ones on the northern highway for 100 miles. This meant a lot of people stopped by. Many of them asked about a place to stay for the night. This gave Bob the idea to build some rooms that he could rent. And after saving some money he built three motel rooms on the side of the cafe. This fitted in real good. Now he could offer people food, car service (gas, oil, repairs) and a place to stay for the night (lodging).

As business increased Bob found his family could not do all the work that had to be done. He hired a mechanic for the car service. Also his wife needed help in the busy season in the kitchen.

Business was good in the summertime (during tourist season) but not in the wintertime. Bob hardly made a living for his family in the winter. He had to find some way of making money all year round. Bob's chance came when the oil company gave him permission to build a bulk storage tank for fuel oil. Now Bob could sell heating oil to all the houses, outfitting camps and mining companies in the area. Since there were no built-up roads into most villages all the oil had to be delivered in the winter over frozen lakes and muskeg. This meant Bob had a lot of sales in the winter from fuel oil as well as in the summer from the service station, cafe and motel.

Bob explained it this way, "I've got to have a lot of irons in the fire to make a go of things. I couldn't make a living on just one line of business. When I put the sales from all four parts of my business together it gives me a good year round income. I can pay all my bills and still have enough money left over to feed and dress my family. Mind you, we all have to work together to make this kind of a living. Sure, I have a lot of worries but at least I'm working for myself. It's not bad doing all these jobs when it's your own business. There sure are a lot of jobs to do though!"

SUBJECT MANAGEMENT PROCESS

LESSON MP5 WHAT IS SMALL BUSINESS?

INSTRUCTOR'S GUIDE

OVERVIEW

Before proceeding with this lesson it might be worthwhile to ask the students what they have learned to date. Ask them to summarize in their own words what they felt was important in previous lessons. This should provide the instructor with very valuable feedback on how the students are learning. Can they see how the lessons tie together? The instructor can decide whether some points require clarification or whether the students are ready to progress.

In this lesson the student looks more precisely at what is involved in small business. The term, "small business", actually means different things to different people. Most persons use the word to describe the service station, hardware store, independent general store, and the like. Although the concept is accurate enough for general purposes, a more precise definition of "small business" is needed as a basis for a Small Business Management course.

In addition to learning more precisely what Small Business is, the student will look at some of the benefits of going into Small Business.

OBJECTIVES

1. The student will be able to define in his own words "small business" and when given examples of businesses, he will be able to indicate whether they are large or small businesses.

2. The student will be aware of the advantages and disadvantages of going into a small business.

MP5

RESOURCES REQUIRED

1. Flip chart
2. Projectual MP5-1, "Small or Big Business"

METHODOLOGY

1. Hand out the Readings.

2. Read the Purpose and Introduction.

PURPOSE

In this lesson you will learn the meaning of small business. You will also look at some advantages and disadvantages of going into your own small business.

INTRODUCTION

Since "small business" can have many different definitions, it may be difficult to determine exactly what is meant by small business. While some may think a certain business is small, others think it is big.

Before learning the tools and skills of small business management, it is worthwhile to consider more precisely what is meant by the term. First you will compare various meanings which people have given "small business" and then you will learn a definition which appears best for the purpose of the course.

You will then look at the advantages and disadvantages of going into a small business. This will help guide you in making your decisions as well as clarifying your own reasons for going into business.

OBJECTIVE 1: THE STUDENT WILL BE ABLE TO DEFINE IN HIS OWN WORDS "SMALL BUSINESS", AND WHEN GIVEN EXAMPLES OF BUSINESSES, HE WILL BE ABLE TO INDICATE WHETHER THEY ARE LARGE OR SMALL BUSINESSES.

Stimulus

3. Show Projectual MP5-1, "Small or Big Business" and ask which is a big business and which is small. Discuss why.

Clarify Problem

4. Ask the students to list the characteristics which might be used to determine whether a business is large or small. They may suggest sales volume, number of employees, amount of investment, etc.

5. Indicate that since many definitions are possible, there is need of a more precise definition for this course.

Provide Information

6. Read Sections 1 to 4 of the Readings and discuss ideas after each Section.

CONTENT

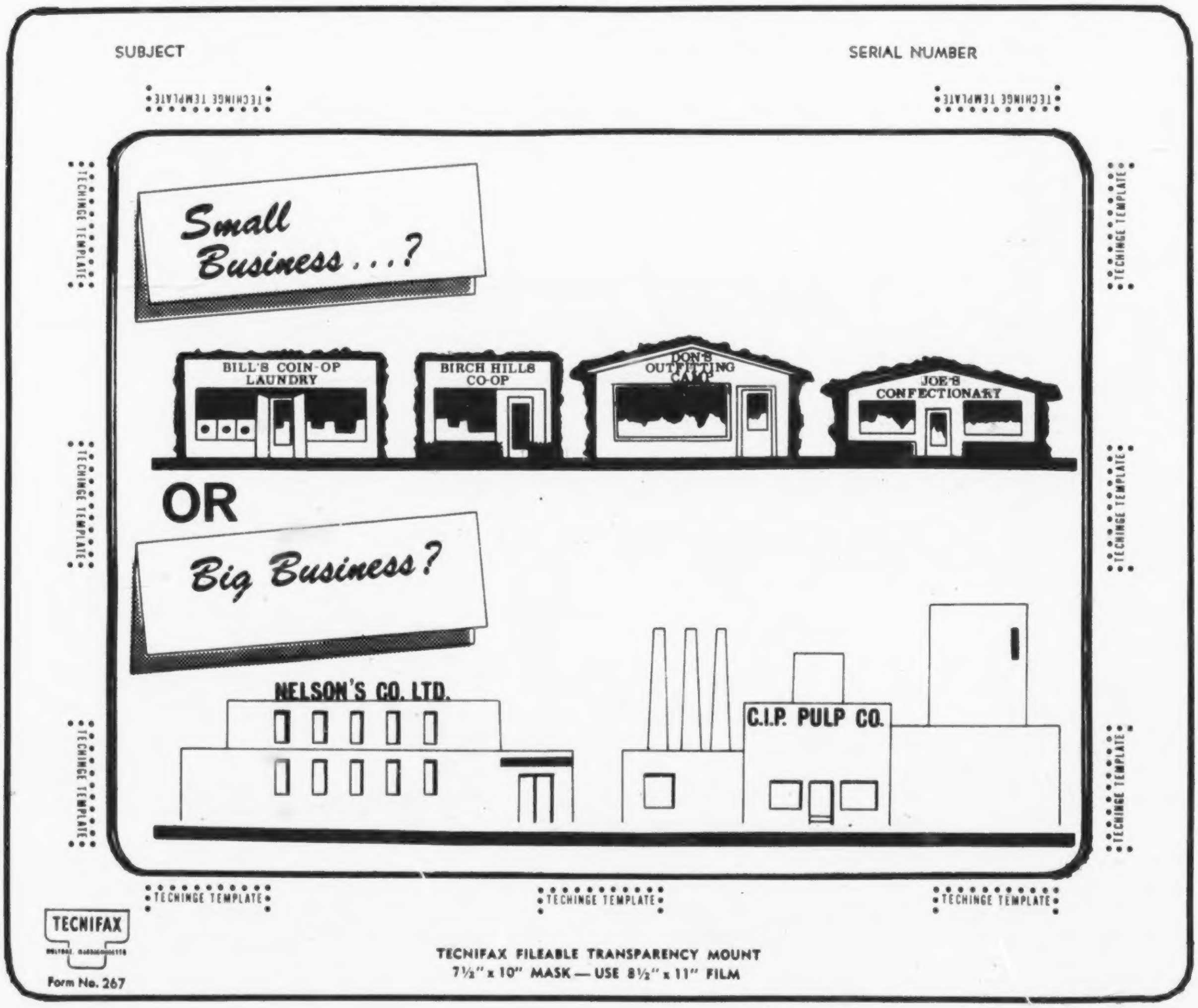
1. Small Business and Big Business

Some ways of recognizing small business and big business are:

	Small Business	Big Business
a.	Has one or a few owners who usually also do the managing.	Has many owners who hire several levels of managers.
b.	Usually has only one location but may have several.	May have one large location or many.
c.	Needs a small amount of money to operate.	Needs a large amount of money to operate.
d.	Has small dollar sales volume.	Has large dollar sales volume.
e.	One man makes all the decisions and does most of the jobs.	Many men with different titles make the decisions. Workers do the jobs.

MP5

MP5-1 SMALL OR BIG BUSINESS


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
Small Business...?
BILL'S COIN-OP LAUNDRY
BIRCH HILLS CO-OP
DON'S OUTFITTING CAMP
JOE'S CONFECTIONARY
OR
Big Business?
NELSON'S CO. LTD.
C.I.P. PULP CO.
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

f.	Owners know employees and customers personally.	Owners may know a few of the employees or customers.
	Example:	Example:
	Small grocery or hardware store in a small town.	Imperial Oil Company or Eaton's.

Many businesses are no longer small or yet very big and are therefore hard to categorize.

2. What is a Small Business?

The definition which we will use in this course is: a business is small if the owner-manager makes all the important decisions with little or no help from experts.

The following things are usually true about small businesses:

a. Management is independent - owners are managers.

b. The manager does all the management jobs with little or no help from experts. The kind of expert help he may obtain would be to:

(1) have an accountant make up his financial statement,
(2) have an accountant make up his income tax return,
(3) have a lawyer draw up a lease.

But he may also do these things himself.

c. Equity Capital is put up by one or a few people.

d. Usually the area of operation is local. Workers and owners live in the same community. In the case of retailers the customers are mainly local. In the case of small manufacturers, (for example, a maker of fish hooks or handicrafts) the market may be widespread.

Therefore,when we say that this is a Small Business Management course, we mean that it is a course designed to train you for businesses where:

(1) the owner-manager or hired manager makes all the critical decisions.

(2) the owner is one person or a few people who supply all the capital.

(3) the manager and workers live in the same community, although the products may be sold outside the local area.

3. "Small" does not mean "Unimportant"

There are many reasons why small businesses are important. Some of these reasons are:

a. About 50% of working people are employed by small businesses.

b. About 90% of all businesses in Canada are small.

c. Small businesses are the sources of many inventions.

d. Small businesses encourage competition and hold down prices.

e. Small businesses are more efficient than big businesses.

f. Small businesses supply smart, well-trained managers to big businesses.

g. Big businesses depend on small businesses as suppliers, consumers and distributors.

h. Most of today's big businesses were once small, for example, Ford Motor Company, Kentucky Fried Chicken, General Motors, Burns & Company, Canadian Industries Ltd.

4. "Small Business" does not mean "Easy to Run"

Many people think that small businesses are easy to run. This is not the case. A small business has most of the problems of a big business but has only one or a few people to make the decisions.

Both big and small businesses have to look after financing, bookkeeping, buying, selling, managing employees and dealing with the public.

In big business there are experts in each of these departments. In small business the manager has to be an expert in all these departments, and do all these jobs himself.

Indicator

7. The instructor can list a number of large and small businesses and have the students identify them as large or small. Have the students give their reasons.

   You may use suggestions from the following list; but use local businesses, if possible.

	Small Businesses	Big Businesses
a.	barber shop	The Bay
b.	pool hall (small town)	Eaton's
c.	corner store	Simpson's
d.	trapper	Air Canada
e.	fisherman	Kentucky Fried Chicken
f.	farmer	Federated Co-op
g.	service station operator	Imperial Oil
h.	outfitter	a Pulp Mill
i.	mink rancher	a Meat Packing plant

8. As an alternative or additional indicator, ask each student to list three big and three small businesses with which he is familiar and say why they are big or small.

OBJECTIVE 2: THE STUDENT WILL BE AWARE OF THE ADVANTAGES AND DISADVANTAGES OF GOING INTO A SMALL BUSINESS

Stimulus

1. If possible have the students meet a small business operator in the classroom and discuss with him the advantages and disadvantages of going into a small business.

2. As an alternative have students "brainstorm" the reasons they want to go into small business. List their reasons on the flip chart.

Clarify Problem

3. Ask the students: "What are the advantages of having your own business?" List answers on the flip chart and discuss.

4. Next ask: "What risks or special problems do you think are involved in becoming a businessman?" List the answers on the flip chart and discuss.

Provide Information

5. Read Sections 5 to 8 of the Readings. Discuss after each Section.

5. Why Do You Want to go Into Business?

There are many reasons why you may want to go into business. Some of the reasons may be:

a. To be your own boss, so that you can work for yourself and be independent.

b. To supply a service to your community.

c. To provide employment for other members of your family.

d. To have security. You won't have to worry about having a job.

e. To make money.

f. To control prices in your community.

g. To take a chance.

h. To do something challenging.

You may be able to think of other reasons.

6. Rewards of Going Into Business for Yourself

What rewards and advantages do you have in owning your own business?

a. As owner-manager or businessman you can have more independence than you would have in working for someone else.

b. You are free to try out your own ideas. This may not be possible in working for someone else.

c. You reap all the financial gains. When the business makes a profit you prosper.

d. There is pride, status and prestige involved in owning a business. People recognize that you are important.

You may be able to think of other rewards.

7. Risks or Disadvantages of Going Into Business for Yourself

There also may be disadvantages involved in owning a business. There may be risks and special problems you will face when you start your business that you would not have in working for someone else. For example:

a. Business income may be irregular. Some reasons for this are:

   (1) Sales may fluctuate a lot due to poor crops and lack of jobs in your community.
   (2) You may make bad decisions and lose a lot of money.
   (3) Strong competition may reduce sales and profits.

b. Owning your own business means making all the decisions yourself. You do not have the money to hire expert help like big businesses do. You have to do such jobs as bookkeeping, displaying merchandise, and dealing with people.

c. You have to work longer hours than wage earners do. You have the worry about your business 24 hours a day, seven days a week.

d. You are subject to many laws and regulations imposed by municipal, provincial and federal governments. A lot of work is required to learn these regulations. If you work for someone else you do not have these problems.

e. You have problems with hired help. When you are the boss you are no longer "one of the boys".

f. There is a risk involved in being an owner-manager, because many businesses fail.

8. Summary

A small business is one where the manager makes all the decisions, and supplies all or most of the money. Small businesses are important. They are not easy to run because the manager has to be an expert in many different jobs.

There are many reasons why you might want to go into business for yourself. There are satisfactions to be had in business, but there are also some risks. If you take the time to study about business and to plan carefully you will have a much greater chance of being happy and successful in your business.

Indicator

6. Ask the students to do an overnight exercise which is to be handed in the following day.

    a. Tell them to write down the type of business into which they might consider going, and to explain it to the best of their ability, listing the advantages and disadvantages of this business.

    b. If some students have not as yet decided on a specific business, ask these students to pick a tentative one and do the same exercise.

    c. If some students are not going into small business but wish to work for a large business, the government, or a native association, ask these students to indicate the reasons why they are not considering small business.

7. Have the students discuss the exercise the following day with each student presenting his views.

8. Have the students hand in their exercises. Examine the exercises for the students' ability to express ideas in writing as well as presentation. and make comments which give support for ideas, etc. but which also provide suggestions for improvement.

SUBJECT PERSONNEL MANAGEMENT

LESSON PM1 WHY PEOPLE WORK

INSTRUCTOR'S GUIDE

OVERVIEW

In lesson MP2, "The Individual and His Needs" the student was introduced to the hierarchy of human needs. We saw, in that lesson and the following one, that organizations help satisfy these needs.

This lesson continues in much the same vein but takes a different point of view. We will look at the worker to see why he works. The student will see that money is important to fulfill basic physiological needs but that the other needs mentioned in the previous lessons are also satisfied by work (for example, recognition, prestige, and friendship needs).

This lesson also stresses the need for the students, as future managers, to be aware of the human needs satisfied by work. There is a tendency for managers to think an increase in pay will solve most problems. This can be costly for the business and may not solve other personnel problems which stem from some other cause.

The instructor should encourage students to volunteer their personal experiences throughout the lesson - anyone who has had a job will be able to discuss reasons for which he worked, as well as factors which tended to encourage better work or factors which tended to discourage his or her performance.

OBJECTIVES

1. The student will be able to list reasons other than money which motivate people to work.

2. The students will be able to illustrate how they can benefit as future managers by the knowledge of why people work.

3. The students will be able to suggest ways of handling conflict situations when these arise in a business as a result of a difference in worker needs.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Flippo, Edwin B. Management, A Behavioral Approach. Boston: Allyn and Bacon, 1970, pp. 100 - 117.

RESOURCES REQUIRED

1. Case PM1-1, "Money Isn't Everything"

METHODOLOGY

1. Hand out the Readings.

2. Read Purpose and Introduction.

PURPOSE

In this lesson you will look at some of the reasons why people work. In addition you will discuss possible conflicts which may arise between the workers and the business manager due to their different interests.

INTRODUCTION

You will recall from the lesson MP2, "The Individual and His Needs", that we all have needs and wants, and that these are satisfied in the order of a hierarchy; some needs must be satisfied before others can be.

In this lesson we will see that the reasons people work are closely associated with this hierarchy of human needs. It is important for a manager to be aware of the needs of his employees in order to better satisfy these needs and so have happier and more productive employees. Knowing why people work helps us to understand them better. And better understanding aids in resolving any conflicts which arise.

If you ask anyone "Why do you work?", he will probably tell you "TO MAKE MONEY."

Most people will agree that the need to earn a living (or the need for money) is a very important reason why people work. But is money the ONLY reason why people work?

As a future manager, you will know the reasons why people work. This will help you to understand the employees who work for you.

OBJECTIVE 1: THE STUDENT WILL BE ABLE TO LIST REASONS OTHER THAN MONEY WHICH MOTIVATE PEOPLE TO WORK

Stimulus

3. Pass out Case PM1-1, "Money Isn't Everything". (The case tells us that Paul Cook turned down a job paying twice as much as another one.)

4. Read the Case.

Clarify Problem

5. Discuss questions at the end of the case. (These questions are designed to get participants thinking about the idea that money is not the only reason people work.)

   a. Question 1:
   "What did Paul mean when he said money isn't everything?"

   Try to get the students to put themselves in Paul's shoes.

   b. Question 2:
   "Can you list some reasons why Paul took the poorer paying job?"

   In handling question 2, have one of the students list the group's suggestions on the flip chart.

   Some reasons you might probe for are:

   (1) the need to be with his family
   (2) the need to be with his friends at the mill

(3) the need to feel secure in his own home town.

NOTE: We would suggest that the instructor not spend too much time on the case at this point. It may be better to go on to the Readings and come back to the case again.

Provide Information

6. Read Sections 1 and 2 of the Readings.

CONTENT

1. Satisfying Human Needs

Man's first need is to stay alive. That is, he must have food, shelter and warmth before he cares much about other needs. Once a need is satisfied it becomes less important. That is, man's desire to satisfy a need becomes weaker as that need is satisfied. Take the following examples:

a. When you are starving you have a strong desire to get food. But once you have enough food the urge to get more food will be weak.

b. If a worker is getting poor wages he may have a strong urge to earn more money. He may be willing to work on a harder, dirtier job to get more money. However, once he has enough money, the urge to earn more money won't be as strong. He may take on an easier job where the work is cleaner, even if it pays less money.

2. Reasons Why People Work

Before we list the reasons why people might work we should point out that most people work for more than one reason, and different people work for different reasons.

Here are some possible reasons why people work:

a. So they can do the things they want to do
b. To feel safe (secure from danger)
c. So they can be with people (make friends)
d. So they can get ahead and be important (prestige)
e. So they can tell others what to do (have power)
f. To make money (earn a living)
g. To keep themselves from getting bored

h. To get away from the wife (husband) and family.

You can see money is not the only reason that people work although it is probably an important reason. When a person works he may be satisfying many needs. For example, when Paul Cook took the job at the local lumber mill he satisfied many of his needs.

a. He got money so he could keep his family fed and warm. (Money would also make Paul feel secure.)

b. He could stay home with his family, therefore he satisfied his need for belonging and love.

c. He had friends working at the mill. This satisfied his need for friendship and recognition.

d. By working in his home town, Paul is doing what he always wanted to do.

Paul's brother, however, would probably have taken the job up in Snow Lake that paid twice as much money. This shows that he places more importance on the need for money than he does on the need to be with friends and loved ones.

7. The instructor could ask each student to place a number (from 1 to 8) beside each of the reasons for working listed in Section 2 a in above Readings, indicating its relative importance to him personally.

   These individual results of the exercise could then be listed on the flip chart to give the students some indication of the differences that exist within their own group on the reasons why they work.

Indicator

8. Have the students discuss the ratings placed on the flip chart and add other reasons they personally have for working or reasons people they know have for working.

OBJECTIVE 2: THE STUDENTS WILL BE ABLE TO ILLUSTRATE HOW THEY CAN BENEFIT AS FUTURE MANAGERS BY THE KNOWLEDGE OF WHY PEOPLE WORK

Stimulus

1. Read Section 3 a of the Readings.

3. Why is it Important to Know Why People Work?

   a. To answer this question think of the following situation: You have been managing your own business for many years and you feel it is now time you took it a little easier. You decide to promote your best helper to manager so he can take over a lot of the work and responsibility.

   You offer your best helper one hundred dollars ($100.00) more a month to take on the manager's job. He refuses to take the new job. You offer him one hundred and fifty dollars ($150.00) more a month and he still refuses. How can you explain your helper's actions?

   If you think that people only work to make money, you won't be able to explain why your helper refused the manager's job; after all, he had a chance to earn one hundred and fifty dollars ($150.00) a month more. If, however, you know that people have many different levels of needs you may be able to think of some possible reasons why your helper refused the promotion.

Clarify Problem

2. The instructor can ask one of the participants to list on the flip chart suggestions by the group that may explain why the helper refused the promotion.

   Some possible reasons (in terms of human needs) are:

   a. his need for money may have been satisfied already, therefore he doesn't feel a strong urge to take the manger's job only because it pays more.

   b. his need for security may make him want to keep his helper's job. Maybe he is afraid to take on the responsibilities of the manager.

   c. he may feel the other helpers will hate him if he moves up to the manger's job; therefore, his need to be "one of the boys" (that is, need for friendship, belonging) made him refuse the job.

   d. he may have felt that he had no desire for the manager's job. That is, his need for accomplishment was being satisfied on the helper's job.

Provide Information

3. Read Sections 3 b and 4 of the Readings.

b. The different human needs help to explain why people act the way they do. If you know which of your worker's needs are not being satisfied, you may be able to help him satisfy these needs in his job (and thus motivate him). Now you can see that it is important to know these different levels of human needs.

For Example:

If you know your worker needs to feel important, have self respect, and respect of others, you, the boss, can make sure you show respect for him by asking his ideas on different subjects, praising him for good work, and by treating him fairly.

When we say "What motivates people", we mean "What moves them to action?" or "What urges them on?"

You can see that money is a big motivator. But there are also other things that motivate workers.

4. Understanding Some of the Needs Satisfied by Work

We saw that the individual has needs and that some of these needs are satisfied by work. Let us consider more specifically the factors that can help motivate people in their jobs -- the aspects of a job that meet the needs of workers.

Some of the factors which help satisfy the workers are:

a. Pay: This permits the worker to satisfy some of his physiological needs. Pay can also be the means of satisfying other needs. We often find status and prestige satisfied by the money a worker receives. If a worker receives more money than another, he may tend to feel the prestige of a more important job. Thus pay can satisfy physiological needs, the need for security, and ego needs (esteem).

b. Security: The need for security can rate very high especially if the person's job is threatened. Job security is associated with our need for safety and, as such, is one of our most basic needs.

c. Comfortable and Attractive Working Conditions: These working conditions satisfy physiological (body) needs as well as our need for prestige.

d. Friendly Workers: Working with people who are friendly makes one feel accepted and loved. It is usually necessary to get acceptance from the people with whom you work in order to satisfy social and esteem needs.

e. Credit for Work Done: Credit for work well-done helps fill the person's need for esteem, his need to be recognized.

f. Opportunity to Advance: Workers need to see that they can move ahead even though they may never do so. This fills or satisfies a self need (need to achieve, need for self-esteem).

g. Competent and Fair Leadership: This desire comes from a security need: to know that you will be treated fairly. Also, fair leadership means less damage to the ego (self) of the worker. In addition, since there is confidence in competent leadership, it provides security.

It is valuable to people in management positions to know the needs which can be satisfied by work. They will then understand their employees better, and be in a better position to provide a good relationship between the worker and the business.

Indicator

4. Have students brainstorm the advantages of a manager knowing why people work and list their suggestions on a flip chart.

5. Have students discuss how this knowledge might have changed some of their own experiences with managers or foremen if these persons had had more insight into the reasons people work.

OBJECTIVE 3: THE STUDENT WILL BE ABLE TO SUGGEST WAYS OF HANDLING CONFLICT SITUATIONS WHEN THESE ARISE IN A BUSINESS AS A RESULT OF A DIFFERENCE IN WORKER NEEDS.

Stimulus

1. Refer to the needs and wants satisfied by work as listed in Section 4 of the Readings. Have students suggest any types of conflicts which might result between the worker and the business. Also ask them to add their personal experiences where business objectives and worker's needs were not compatible.

Clarify Problem

2. Have students discuss the pros and cons of the conflicts.

Provide Information

3. Read Sections 5 and 6 of the Readings.

5. Conflicts Between Worker Needs & Business Organization Objectives

It is possible for conflicts to develop between the worker who is trying to satisfy his needs and the business which has certain objectives to reach.

If workers want more pay than the business can afford to pay, a basic conflict will result. This will have to be resolved or the worker may find it better to leave.

Another conflict which can arise is the disinterest of the employee in his job. The manager wants a worker who is willing to do a good job for his pay.

Although the conflicts which may arise are numerous, it is the manager's job to direct the business towards its objectives. How will the manager arrive at a balance between keeping the workers satisfied and still keeping the business progressing towards its objectives? Sometimes it is not possible, and the worker will have to find some other employment. At other times the manager and the worker, by discussing the problem, can work out some suitable solution.

6. Lessons to be Covered in the Personnel Management Subject Area

PM1	Why People Work This lesson examines some of the needs and wants fulfilled by working.

PM1

PM2: What Is Personnel Management?
This lesson points out what personnel management is, why it is important, and some of the jobs it involves.

PM3: Different Types of Leaders
The style of leadership varies depending on the individual who is the manager. This lesson discusses characteristics of different types of leaders and the implications each style has for other people in the business.

PM4: Morale in Your Business
Loyalty, respect and willingness to do a good job are desired characteristics in employees. However, a manager must earn these attitudes by treating his employees properly. This lesson points out some things that will increase morale in the business.

PM5: Establishing the Need for New Employees
This lesson suggests that when new employees are needed the manager should carefully evaluate what jobs they will have to do and what qualifications are needed.

PM6: The Search for New Employees
This lesson discusses ways to go about getting applicants for any job(s) you, as the manager want filled.

PM7: Interviewing Job Applicants
This lesson covers procedures that should be followed when interviewing job applicants.

PM8: Selecting the Best Man for the Job
This lesson discusses things you should consider when selecting employees.

PM9: Training Personnel
Too often employees are not trained properly and therefore do unsatisfactory work. This lesson suggests an approach to use in training employees.

PM10: Giving Workers Responsibility & Measuring Their Performance
If workers are given responsibility for certain jobs it is only fair to advise them of their progress. This lesson discusses methods that should be followed in this regard.

PM11: Communicating With Employees
As this lesson points out, effective personnel management can only be achieved if there is good communication between manager and employees.

PM12: Be A Good Listener
To be a good communicator you must have the ability to listen to what other people say. This lesson discusses the importance of listening.

PM13: Roadblocks to Communication
Effective communication is not always possible because of certain factors. In this lesson you will examine these factors.

PM14: The Grapevine
As this lesson suggests, facts are often distorted if not fully and completely explained.

PM15: Disciplining Your Employees
There are certain times when discipline is necessary. This lesson discusses right and wrong ways to discipline employees.

PM16: Different Pay Plans
In this lesson you examine different types of pay plans that are appropriate for different kinds of work.

PM17: Labour Legislation
This lesson points out that provincial regulations affecting rates of pay, holidays, overtime, etc. are in force. You must adhere to these regulations.

4. Read Section 7 of the Readings and discuss.

7. Summary

People work for a number of reasons. Basically they need the money they earn in order to buy the necessities of life. But most people work for other reasons as well. The manager, by understanding the workers, can do a better job of running his business and at the same time give his employees more satisfaction.

The future lessons in the Personnel Management subject area will provide more information on how to do a better job of managing workers in a business.

Indicator

5. Have students refer to the list of conflicts prepared in the above stimulus. Ask them to discuss possible ways of approaching each of the conflicts. The students should remember to put themselves in the position of future managers, and thus, responsible for meeting the business organization's objectives.

   NOTE: The intention is to get students thinking in terms of human relations rather than in the authoritarian way where the manager is the final word; on the other hand, they cannot be "softies" who bend to every wish of the workers.

   If students do not seem to grasp this intention, review this lesson and previous ones, providing more information.

SUBJECT PERSONNEL MANAGEMENT

LESSON PM1 WHY PEOPLE WORK

CASE PM1 - 1

MONEY ISN'T EVERYTHING.

Paul Cook, who lives in a small town called Stoney Point, is married and has seven kids. Since there isn't much industry in Stoney Point (just one lumber mill) Paul has gone away from home to find most of his jobs. Paul is a carpenter and in the past ten years he has often had carpentry jobs that were far from Stoney Point. For example, the last job Paul had was with a uranium-mining operation up north. He was up there for eight months, and although he earned good wages, he missed his family and friends back home in Stoney Point.

For a while after the job at the uranium mine, Paul was laid off and at home with his family. Since he knew he couldn't go without work too long, he looked around for a new job. Within two weeks Paul had two job offers: a carpenter's job at the local lumber mill which paid $2.50 per hour, and a carpenter's job up at Snow Lake, which paid $5.00 per hour.

Paul had a hard time deciding which job he should take, but he finally decided to take the job at the local lumber mill for $2.50 an hour.

When Paul told his brother which job he had chosen, his brother burst out, "What the hell is wrong with you! Why didn't you go to work at Snow Lake? You could have made twice as much money."

Paul answered, "Money isn't everything, you know."

Questions for Discussion

1. What did Paul mean when he said, "Money isn't everything?"
2. Can you list some reasons why Paul took the poorer-paying job?

SUBJECT BUSINESS COMMUNICATIONS

LESSON BC1 THE COMMUNICATION PROCESS

INSTRUCTOR'S GUIDE

OVERVIEW

The Business Communication subject area is one which is important in any business career a person may choose since a large percentage of the businessman's time is spent communicating with customers, employees, suppliers, bankers, government agencies, etc. In addition, the businessman is usually expected to take an active part in the community affairs. His experience and training are valued by the community and good communication skills are important if the businessman is to be the community leader people expect.

It is suggested that prior to starting this lesson, the instructor discuss with the students the importance of effective communications in their lives. Former students in the Small Business Management course, after they have gained some experience in business, have stressed the importance of the communications subject. Many of them indicated a need for greater emphasis on this part of the course, although they did not see this importance while taking the course.

The whole communications subject is an area in which most students have had little or no previous experience. They know little about speaking in public, conducting meetings, writing business letters and reports. It may take considerable practice for them to become proficient and feel confident.

The five lessons in the Business Communications subject area cannot by themselves provide students with the practice they need in Business Communication. Therefore, the lessons are presented early in the course so that the instructor can provide opportunities throughout the course for practice. This may be in the form of students reading lessons out loud, writing letters, conducting meetings concerning the students' business projects or student council activities. Students may also act as facilitators during the lessons within the Small Business Management group to gain experience in group-leading skills. In this way they help the instructor and also gain valuable experience in working with groups. They can interview and question resource people visiting the group to help develop communication skills.

Some lessons call for reports, meetings, role-playing, etc., all of which provide valuable practice. Since, however, it is impossible to foresee the degree of practice in communications needed by the students, the instructor should adapt lessons to incorporate opportunities for improvement in communication skills whenever he thinks it advisable.

This first lesson introduces the student to the communication process. Lessons in personnel management later in the course will review the process as applied to communicating with employees and will look at some of the roadblocks to communication.

It is worth mentioning again that the lessons are only an introduction to the topic of Business Communication. If the student is to become proficient in the area, he will need considerable practice throughout the course.

OBJECTIVE

The student will understand what is mean by the term "communications."

REFERENCE MATERIAL FOR INSTRUCTOR

1. Canada Department of Manpower and Immigration. Effective Supervision - Communications. A course developed by the Department of Manpower and Immigration, Ottawa: Information Canada.

RESOURCES REQUIRED

1. Case BC1-1, "Where are My Parts?" (Have three people tape the telephone call prior to lesson).
2. Tape recorder
3. Flip chart
4. Film, "Berfunkel" (9 minutes)

5. Projectuals: BC1-1, "Communication Process"
BC1-2, "Types of Communication"
BC1-3, "Methods of Communication"
BC1-4, "Reasons for Failure in Communications"

METHODOLOGY

1. Do not hand out Readings at this time.

OBJECTIVE: THE STUDENT WILL KNOW WHAT IS MEANT BY THE TERM 'COMMUNICATIONS'.

Stimulus

2. Hand out Case BC1-1, "Where are my Parts?". Have students read the case as it is being played on the tape recorder.

   Do not discuss case at this point, unless it is to clarify information given in the case. Select two students for a role-playing situation based on the above case. One will play the role of manager, who has inadequately explained the situation, and the other student will play the role of employee, who does not consider the explanation satisfactory. Both are angry. Ask role-players to take the situation from where the case leaves off. Each role-player is to try to see the point of view of the person whose role he is playing.

   The instructor will determine the amount of time to be devoted to the role-playing situation.

   The instructor will observe if the student role-playing the managers' position can relate to his position. After the role-play is over, the instructor can ask questions similar to the following:

   a. What caused the problem in this situation? Who was at fault?

   b. How could the problem have been prevented?
   What did Fred do or not do that he should have done?
   What should Al Freen have done or not done?

   c. What would you do if you had to settle an argument or misunderstanding similar to this one between two of your employees?

   d. What causes people to misunderstand what other people say?

Clarify Problem

3. Hand out the Readings and read the Purpose and Introduction. Relate back to role-play.

PURPOSE

In this lesson you will be introduced to the communication process, the process of sending and receiving messages. You will study:

1. The meaning of the term 'Communication"
2. What is involved in the communication process
3. Some of the ways that people communicate
4. Some guides to effective communications.

In addition you will briefly discuss the other lessons to be covered in the Business Communications subject area.

INTRODUCTION

As owner-manager of your own business you will have to deal with many people. You will be communicating all the time. Communication will be important to you not only as a businessman but also as a member of your community. In your business activities you will be in contact with customers, suppliers, salesmen, employees and people from government agencies. In your community you will probably be called upon from time to time to help plan and participate in local activities.

You will communicate mostly by talking to people. However, you will also have to write letters, prepare reports, make speeches and conduct meetings.

In communicating you may have trouble deciding what to say or how to say it; you may wonder if the other person will get the meaning that you want him to get from your message(s); perhaps his opinions will be so strong that he will not even bother listening to what you have to say; he may even get angry. These are some of the things that can make communication difficult.

This lesson contains some suggestions which will help you communicate more effectively.

4. Ask students: "How do we communicate?" "What is the meaning of the word communication?"

List suggestions on flip chart and discuss.

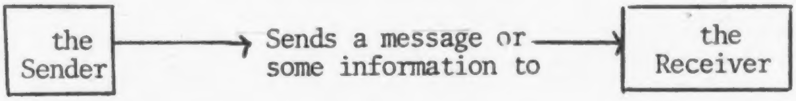
Provide Information

5. Read Sections 1 and 2 of the Readings. Show projectual BC1-1, "The Communication Process", while reading these sections.

CONTENT

1. What is Communication?

Communication is the process of sharing information; that is, sending and receiving messages. There must be both a sender and a receiver if communication is to take place.



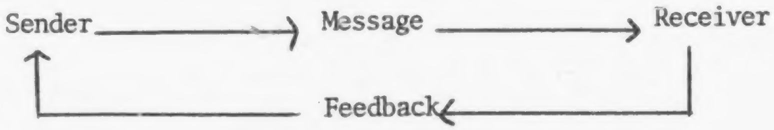
If the RECEIVER understands the meaning that was intended by the SENDER of the message then "real" or "effective" communication has taken place.

If the RECEIVER does not understand at all, or does not clearly understand the meaning that was intended by the SENDER of the message, then communication has been 'poor' or 'ineffective'.

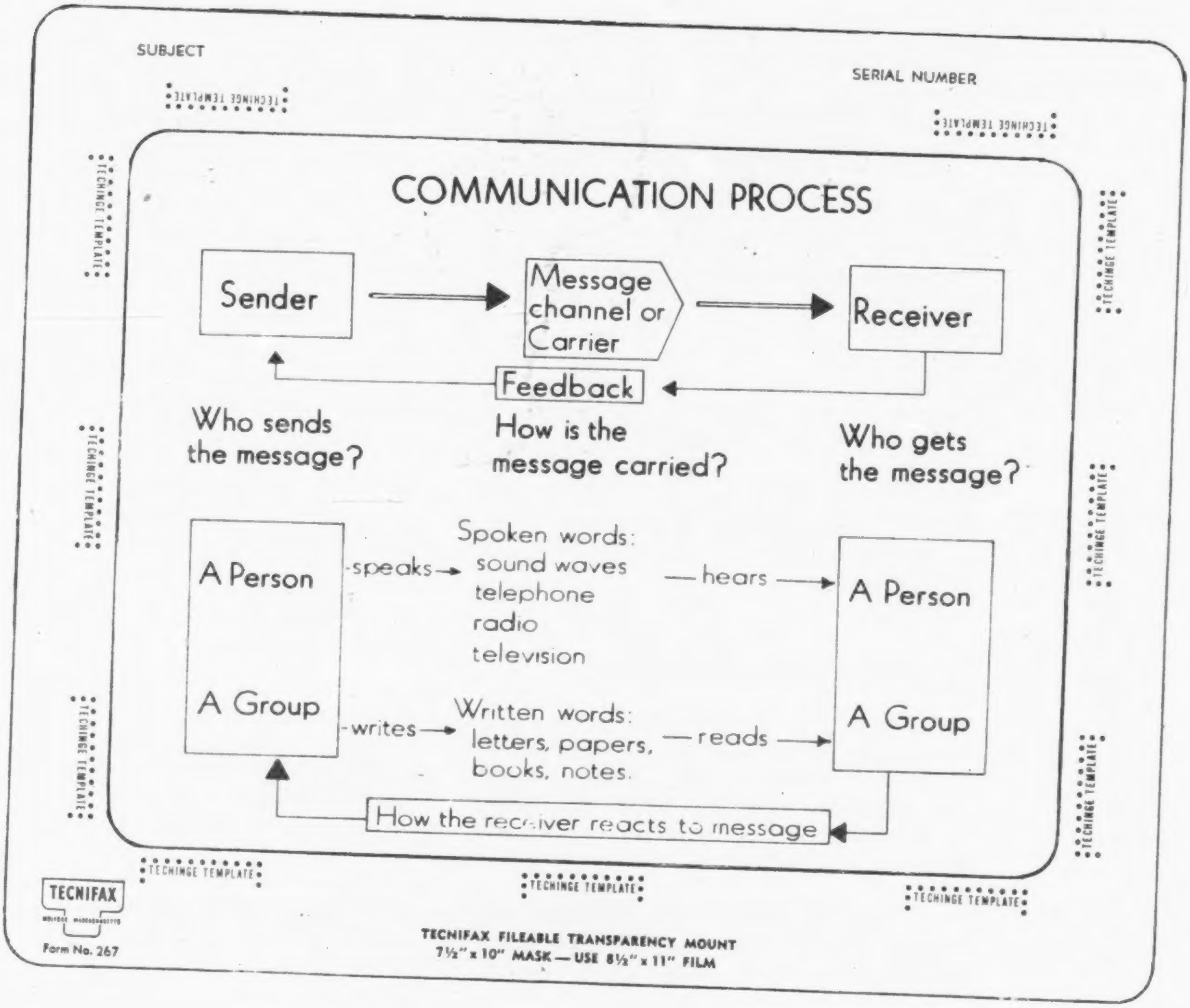
2. The Communication Process

When you communicate a message to someone, you do so with a certain intention or purpose in mind. That is, you want that person to react or behave in a certain way when he receives the message. However, the way that a person actually reacts or behaves will depend on the meaning that he gets from the message you sent.

You, in turn, will react or behave in certain ways depending on the meaning that you get from messages or feedback received from other people.



BC1-1 COMMUNICATION PROCESS


SUBJECT
SERIAL NUMBER
COMMUNICATION PROCESS
Sender
Message channel or Carrier
Receiver
Feedback
Who sends the message?
How is the message carried?
Who gets the message?
A Person
A Group
speaks
writes
Spoken words:
sound waves
telephone
radio
television
Written words:
letters, papers, books, notes.
hears
reads
A Person
A Group
How the receiver reacts to message
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

> The diagram on the next page shows one way of looking at the communication process.

6. Discuss. Explain the diagram on page 4 of the Readings. Show Projectual BC1-2, "Types of Communication", and discuss.

7. Read and discuss Section 3 of the Readings.

> 3. How do People Communicate?
>
> There are many ways of communicating. They include:
>
> a. Speaking
> b. Writing
> c. Body Language (motions, gestures, facial expressions)
>
> → These are SENDING skills.
>
> d. Listening
> e. Reading
> f. Watching
>
> → These are RECEIVING skills.
>
> Regardless of the method used, communication may be 'real' or 'effective' or it may be 'poor' or 'ineffective', depending on whether the receiver of the information or message fully understands or only partly understands what was intended by the sender of the message.

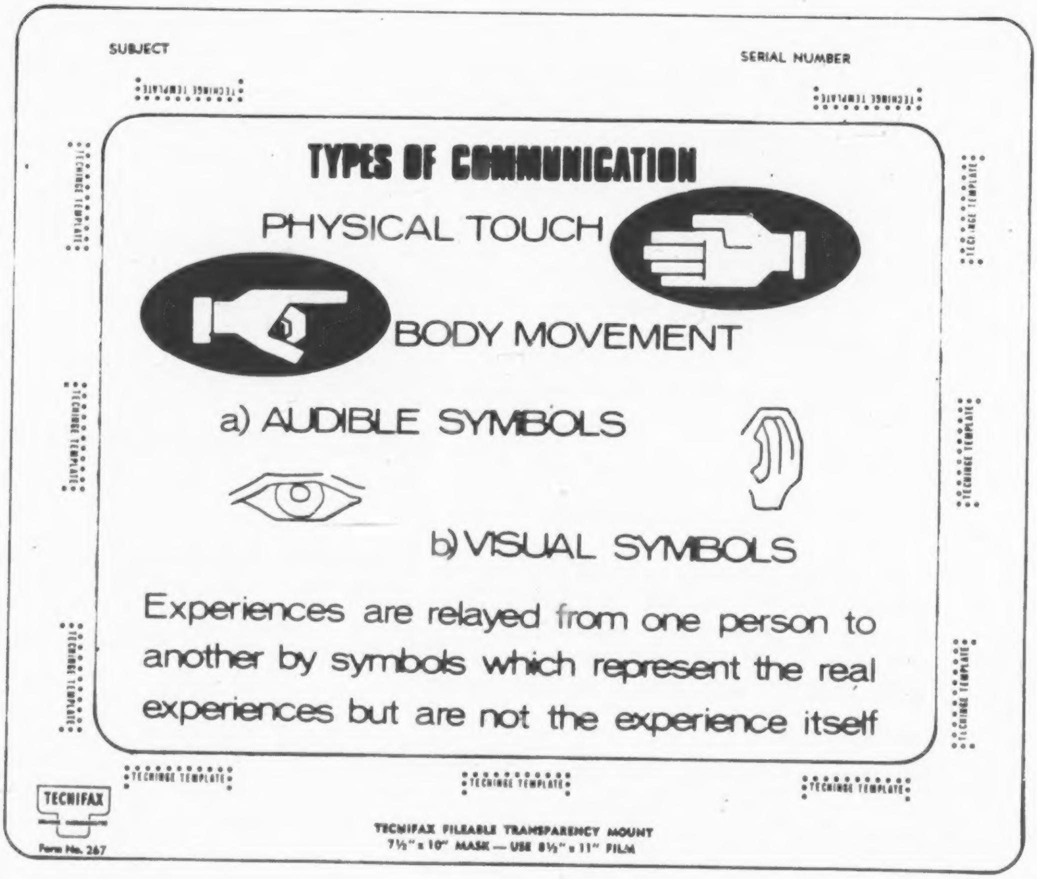
8. Show Projectual BC1-3, "Methods of Communication". Discuss.

9. Show the film, "Berfunkel" (cartoon film - 9 minutes)

   a. Setting. The boss's office.

   b. Overview. The boss calls in an employee and says 'berfunkel'. Since the boss does not explain what he means, the employee sets out to try and find the meaning of the word. Everyone that the employee comes in contact with has a different meaning for the word "berfunkel".

BC1-2 TYPES OF COMMUNICATION



SUBJECT

SERIAL NUMBER

TYPES OF COMMUNICATION

PHYSICAL TOUCH

BODY MOVEMENT

a) AUDIBLE SYMBOLS

b) VISUAL SYMBOLS

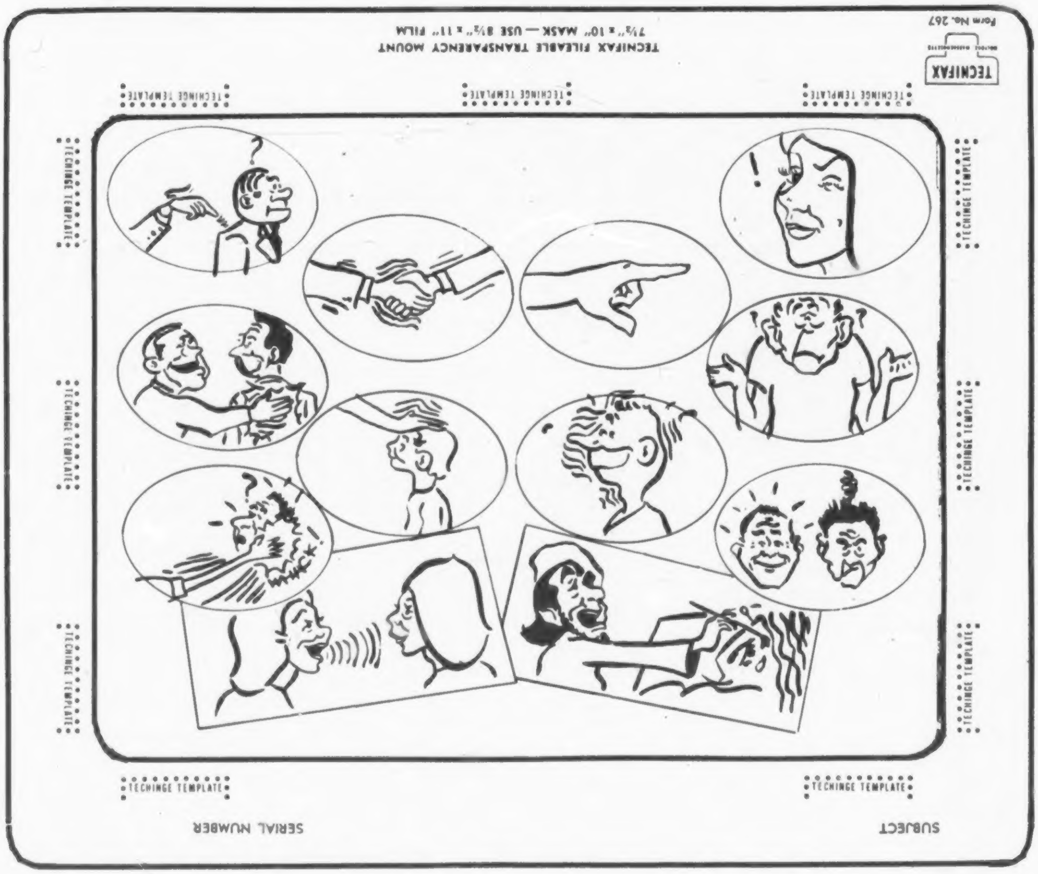
Experiences are relayed from one person to another by symbols which represent the real experiences but are not the experience itself

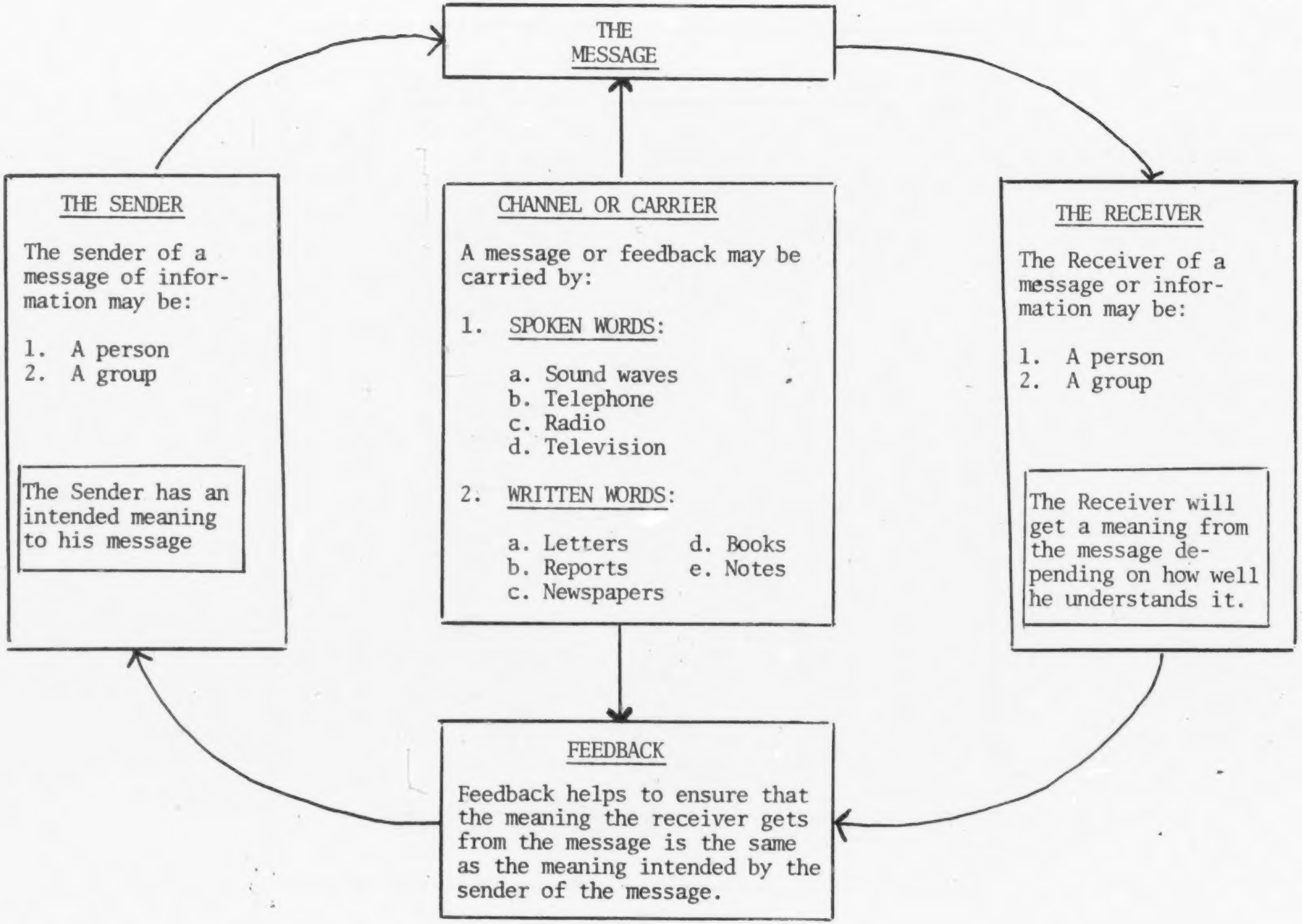
TECHNIFAX

Form No. 267

TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

BC1-3 METHODS OF COMMUNICATION


TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM
Form No. 267
TECNIFAX
TECHINGE TEMPLATE
?
!
WHACK!
SERIAL NUMBER
SUBJECT



THE SENDER

The sender of a message of information may be:

1. A person
2. A group

The Sender has an intended meaning to his message

THE MESSAGE

CHANNEL OR CARRIER

A message or feedback may be carried by:

1. SPOKEN WORDS:
   - a. Sound waves
   - b. Telephone
   - c. Radio
   - d. Television
2. WRITTEN WORDS:
   - a. Letters
   - b. Reports
   - c. Newspapers
   - d. Books
   - e. Notes

THE RECEIVER

The Receiver of a message or information may be:

1. A person
2. A group

The Receiver will get a meaning from the message depending on how well he understands it.

FEEDBACK

Feedback helps to ensure that the meaning the receiver gets from the message is the same as the meaning intended by the sender of the message.

c. Suggestion on how to run film.

(1) Play film through completely.

(2) Ask the students: "What type of communication problem did we see in this film?" Discuss.

(3) Point out that words have different meanings to different people. Ask the students what can be done to overcome this problem.

10. Ask the students how many meanings they can find for the word 'fast'. List on the flip chart.

Suggestions:

- the car is fast (rapid, quick-moving)
- he is fast asleep (steady, sound)
- the clock is fast (shows advanced time)
- that girl is fast (wild, dissipated)
- the hermit has been on a long fast (has gone without food)

Try the same exercise with other words that the students suggest.

11. Have one of the students write, Things that can make communication difficult, at the top of flip chart. Ask the students for suggestions, and have these listed on flip chart. Discuss. Ask: "How can these problems be overcome?" List answers on flip chart.

12. Show Projectual BC1-4, "Reasons for Failure in Communication". Discuss and compare to reasons given by students. Lesson PM13, "Roadblocks to Communications", in the Personnel Management subject area will deal with causes of failures in business communications.

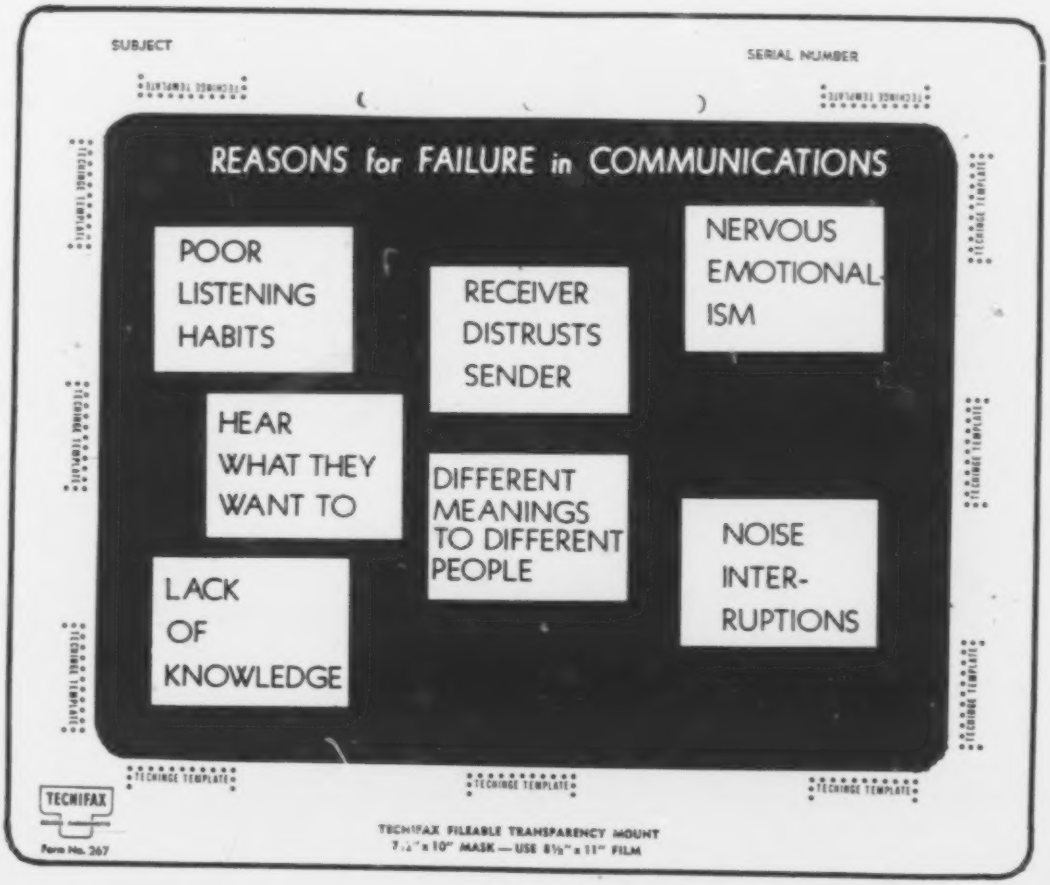
13. Read and discuss Sections 4, 5 and 6 of Readings.

4. Some Guides to Effective Communication

When you have something to communicate, there are certain things you can do to help your communication be more effective; that is, you can do things that will help the other person to better understand the meaning you intended. These include:

a. Know exactly what you want to communicate. If the message is not clear in your mind you are certainly not going to be able to explain it to anyone else very well.

BC1-4 REASONS FOR FAILURE IN COMMUNICATIONS



SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
TECHNIFAX
Form No. 267
TECHNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

REASONS for FAILURE in COMMUNICATIONS

POOR LISTENING HABITS

RECEIVER DISTRUSTS SENDER

NERVOUS EMOTIONALISM

HEAR WHAT THEY WANT TO

DIFFERENT MEANINGS TO DIFFERENT PEOPLE

NOISE INTERRUPTIONS

LACK OF KNOWLEDGE

b. Be sure you know the meaning that you want the other person to get from your message. Remember, the meaning they get from your message will determine how they will react or behave.

c. Decide upon the best way to communicate the message. Decide whether it should be spoken, written, or communicated by some other means.

d. Choose your words carefully. Your message (idea, suggestions, etc.) may be very important. However, if it is not worded so the other person can understand it, it will be of little or no value.

e. Decide upon the best time and place to communicate your message. If you have something important to communicate to someone, you would not likely do so in a crowded, noisy room.

f. When communicating, if you try to see things from the other person's point of view, you will have a much better chance of communicating effectively.

g. Encourage feedback from the person(s) with whom you are communicating. A two-way flow of information helps to clarify the issue under discussion.

NOTE: In this lesson we are not trying to change your method of communicating. Each person develops his or her own best method of communicating and that is the method they should use. However, you may wish to use some of the above suggestions to help make your own method of communicating more effective.

5. Lessons in the Business Communications Subject Area

BC1: The Communication Process
This lesson discusses the meaning of the term 'communication'. It goes on to describe what is involved in the communication process and some of the ways people communicate. Finally it offers some suggestions on communicating effectively.

BC2: Communicating in Business
This lesson deals briefly with the skills in writing, speaking and conducting meetings needed by most businessmen.

BC3: Business Letters and Reports
This lesson examines business letters and reports.

BC4: Speaking in Business
This lesson covers some of the do's and don'ts of speaking. It discusses both the preparation for a speech and helpful hints on how to present it.

BC5: Conducting Business Meetings
In this lesson you will discuss how to prepare for and how to conduct a formal business meeting.

6. Summary

As owner-manager of your own business, you will have to communicate with people.

This lesson has pointed out some of the problems you may have in communicating with other people. It also contains some suggestions or ways to overcome these problems.

Throughout this course you will be communicating with other people. This will give you the opportunity to practise some of the things that have been discussed here.

Indicator

14. Have students write in their own words:

    a. the meaning of communications;
    b. the ways in which we communicate;
    c. their own greatest problem in communication.

SUBJECT BUSINESS COMMUNICATIONS

LESSON BC1 THE COMMUNICATION PROCESS

CASE BC1 - 1

WHERE ARE MY PARTS?

Fred is the owner-manager of his own business. Jim Freen, a customer, phoned in an order for some parts. Fred told Jim that the parts would be delivered shortly.

Fred called in Al, one of his employees, and said, "Al, Jim Freen phoned up for this list of parts. Fill the order and deliver it when you're finished what you're doing."

Al replied, "O.K., I'll take care of it".

A large order of stock had arrived the previous day. When it arrived, Fred had asked Al to put it away and Al had started doing just that early this morning. It would take him two to three hours to complete the job. He had been working at it for about 20 minutes when Fred had called him in about the parts order from Jim Freen.

About an hour and a half later Jim phoned up again. He was a bit angry as he asked, "Where are my parts?" Fred was sure they had been delivered. When he found out this was not true, he apologized to Jim and assured him delivery would be made immediately.

Fred rushed out to the store room and shouted to Al, "How come Jim's parts have not been delivered yet?"

Al: "I'll be finished putting away this stock in about half an hour. I'll take them out then".

Fred: (angrily) "Never mind the stock. Jim needs these parts right away. They should have been delivered a couple of hours ago".

Al: (getting angry now) "That's not true, the order came in about an hour ago. Besides, you told me to make the delivery when I had finished what I was doing. So what are you yelling about?"

BC1

Fred: (pounding his fist on the counter) "If you don't know enough to make a delivery when you're supposed to, maybe I need someone who does. Fill that order and get it out there right now. And when you get finished we're going to have a talk about this".

Fred walked out and slammed the door behind him.

SUBJECT BUSINESS COMMUNICATIONS

LESSON BC2 COMMUNICATING IN BUSINESS

INSTRUCTOR'S GUIDE

OVERVIEW

This lesson will introduce the students to the three main communication skills which they will be required to perfect during the course. The students will be introduced to writing letters and reports, speaking and conducting business meetings.

As was indicated in the first lesson, practice in these skills should not be limited to the Business Communications lessons, it should be continued throughout the course, as well as in other situations in the school environment (debating, public speaking competitions, student council, etc.).

The students may be somewhat shy initially, especially when it comes to speaking before the class. The instructor may have to use considerable tact to get students to start speaking.

OBJECTIVE

To provide students with an introduction to speaking, letter and report writing and conducting meetings.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Huchobee, June. Communication in Distribution. Austin, Texas: The University of Texas at Austin, 1968.

2. Canada. Department of Manpower and Immigration. Effective Supervision - Communications. A course developed by the Department of Manpower and Immigration. Ottawa: Information Canada.

3. Raines, I.I. "Better Communications in Small Business." Small Business Management Series No. 7, Washington: Small Business Administration, 1962.

RESOURCES REQUIRED

1. Case BC2 - 1, "Getting the Business Going - Communications "
2. BC2 - 2, "Dickson's Outfitting Camp "
3. Flip chart.

METHODOLOGY

1. Hand out the Readings, and the read the Purpose and Introduction.

PURPOSE

In this lesson you will discuss the different types of communication skills you will need in business. These include speaking skills, writing skills, and skills in conducting meetings.

INTRODUCTION

As future businessmen (and women) you will be continually in contact with people. This means that you will be communicating in different ways in many different circumstances.

For example, you will have to talk to people individually or in small groups. In addition, you may be called on to speak to larger groups on occasion. You will also have to write letters (to suppliers, for example) and prepare reports (for government departments, and others). Very often businessmen take an active part in the affairs of their community. If you do so, you will likely be called on to participate in or conduct committee meetings and/or general meetings.

As you can see, communication skills will be very important to you as a businessman. For this reason you will be practising these skills throughout the course. This means that you will prepare and present reports, make speeches and role-play various situations that will help develop your skills in communicating.

BC2

OBJECTIVE: TO PROVIDE STUDENTS WITH AN INTRODUCTION TO SPEAKING, LETTER AND REPORT WRITING AND CONDUCTING MEETINGS.

Stimulus

2. Hand out Case BC2 - 1, "Getting the Business Going - Communications". Read with the students. The case is intended to present a situation requiring students to suggest the communication (writing, speaking, meeting) tasks involved.

Clarify Problem

3. Discuss the question at end of case: What kinds of communication might Arnold have to engage in? And with whom?

The students may not have been thinking in terms of identifying the various types of communications Arnold will have to engage in; thus, the case should be re-read after the question is asked. Encourage students to put themselves in Arnold's position and list all possible answers to the question. List students' suggestions on flip chart. The instructor can supply clues to help students get started:

Types of Communication	With Whom
- Answer advertisement by letter (written communication) by telephone (spoken communication - indirect) in person (spoken communication - direct, or face to face).	Town Council.
- Make presentations in person or in writing, outlining how trailer park will be set up, how much money will be needed, what rents will be, how much profit will be made, etc.	Town Council, Bankers, House Trailer Owners.
- Hold meetings to explain how trailer parks will be built, when it will be ready, etc.	House Trailer Owners, Workers.

Students may complain about lack of detail in the case. Encourage them to brainstorm. The instructor can let students make assumptions to cover lack of information in the case, providing the assumptions don't destroy the case.

Provide Information

4. Read Section 1 of the Readings.

CONTENT

1. What Communication Skills Will You Need?

The ability to speak well, write well, and conduct meetings are some communication skills that will help you run your business. You might be wondering when a businessman uses these skills. The following list indicates circumstances in which these skills may be needed:

a. Speaking Skills
You, as a businessman, will have to speak to customers, suppliers, bankers, workers, community groups, etc. (on the phone or in person).

b. Writing Skills
You, as a businessman, will have to write:

(1) Business Letters - to customers, suppliers, government departments, etc.

(2) Reports - on why you need loans, how much profit you have made, how you plan to expand your business, etc.

(3) Applications - to government to get business licences, social insurance numbers, etc.

c. Skill in Conducting Meetings
As a businessman, you will have to:

(1) organize and conduct meetings, or
(2) participate in meetings.

For example you may be a member or chairman of an association in your community. Will you know how to run the meetings? Will you be an active participant in these meetings?

To be a good chairman of a meeting you will have to learn about parliamentary procedures. Learning these procedures is also important if you want to be an active participant in meetings.

5. The instructor should tell the students that communication skills are learned through practice, which will start in this lesson. Every opportunity to practise speaking, writing and conducting meetings which may arise throughout the course will be taken.

6. Mention: "A businessman has to be able to speak effectively to people. Practice will help develop confidence." Use either of the two following suggestions to give students an opportunity to speak in front of the group.

   a. Ask each person to stand before the group and tell something about themselves: where they were born, childhood experiences, schooling, work experiences, their family, hobbies, etc. for one or two minutes.

   b. Ask each student to write down a topic on a piece of paper. Collect the topics and place them in a hat. Ask each student to pick a topic, one student at a time, and as soon as he chooses it, to stand up and talk on the topic for one minute.

   After all the students have spoken, discuss the exercise. Ask students questions such as:

   a. Did you feel comfortable when speaking on your feet?

   b. Do you think you need more speaking practice?

   Encourage them to express their feelings, and mention that more chances to practise will follow in later lessons.

7. Read Section 2 or the Readings; discuss in relation to the previous exercise.

2. Some Speaking Hints

There is no easy way to learn how to be an interesting and effective speaker. But you should practise public speaking so that you won't feel too uncomfortable when you have to speak to employees, customers, or community groups.

Below are several hints about public speaking:
a. Speak loud enough to be heard.
b. Speak clearly - don't mumble.
c. Look at your audience (not at the floor or out a window).
d. Use words that your audience can understand (don't try to impress them with big words).
e. Speak at a medium pace (not too fast - not too slow).

Practice will improve your speaking skills. Lesson BC4 will give you a chance to learn more about speaking and to practise speaking. Other opportunities to do so will be provided throughout the course.

8. The instructor may wish to give students another opportunity to practise speaking at this time or he may leave it to lesson BC4, "Speaking in Business".

9. Ask: "How many of you have written business letters?"
Ask students to write the business letter (including addressed envelope) required in the following situation:

    a. You own a fishing camp up north and have boats, cabins, guides, etc. to serve tourists who want to fish.

    b. A businessman (JOHN DOE, 55 MONEY ROAD, DAYTON, OHIO) from down south has written you and asked you to tell him: If you can reserve accommodation for his party of four (4) for one (1) week in June; how much it will cost; how many fish he can expect to catch.

    c. Let students determine for themselves information to be supplied. Collect students' completed letters. Examine and comment on various styles that were used in the layout of the letter, in addressing of the envelope, in the amount of detail included, and in sentence and paragraph structure.
    This may make students aware of the need for some standardized format for writing business letters.

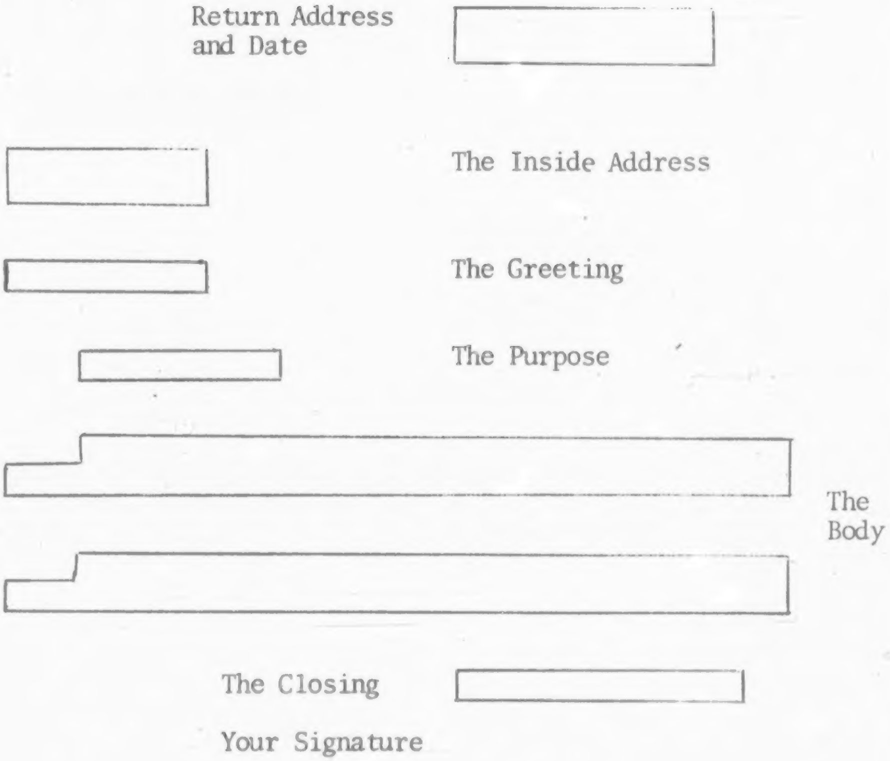
10. Read Section 3 of the Readings, which briefly outlines how to write a business letter. Encourage students to analyze the letters they have just written.

3. Business Letters and Reports

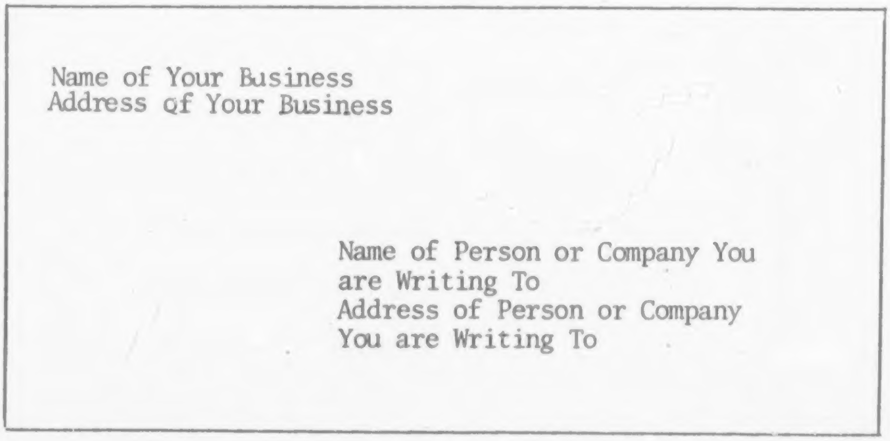
a. Writing Business Letters
There are several different styles of business letters. In this lesson you will examine one style that is used quite frequently.

(1) The Letter

PARTS OF A BUSINESS LETTER


Return Address
and Date
The Inside Address
The Greeting
The Purpose
The Body
The Closing
Your Signature

(2) The Envelope


Name of Your Business
Address of Your Business
Name of Person or Company You are Writing To
Address of Person or Company You are Writing To

Below is a sample letter using the form of organization outlined.

ABC Taxi Company
P.O. Box 79
Sunset, Saskatchewan
November 20, 19__

Central Motors Ltd.
122 King Street East
Saskatoon, Saskatchewan

Dear Sirs:

Re: Invoice #3[illegible]1B

Enclosed please find payment for the ten pairs of 7.50" x 14" blackwall grip tires I purchased from you on November 10, 19__.

Yours truly

Frank Bird
Manager

Below is a sample envelope for the letter.

ABC Taxi Company
P.O. Box 79
Sunset, Saskatchewan

STAMP

Central Motors Ltd.

122 King Street East

SASKATOON, Saskatchewan

Business letters will be examined in greater detail in lesson BC5. You will also have an opportunity to write business letters at other points in the course.

b. Preparing Reports
The preparation of business reports is one of the most important functions of management. In a small business the owner-manager must prepare reports himself, or at least make sure that someone else prepares them.

The types of reports that are needed include:

(1) Financial reports
(2) Cash reports
(3) Income Tax reports
(4) Reports covering Workmen's Compensation, Canada Pension Plan and employee Income Tax deductions
(5) Reports covering Sales Tax collected.

Preparation of the above reports is outlined in detail in the Finance, Accounting, Bookkeeping (FAB) lessons in in this course.

There is also another important type of business report that is prepared from time to time. This is a research or feasibility report, which is prepared:

(1) Before you start your own business
(2) If you plan to expand your business operations
(3) In support of a loan application.

The type of information that would be presented in a research or feasibility report would be as follows:

(1) Introduction
This section would provide background information on the topic, project or problem under study.

(2) Purpose (or Objective)
This section states, as specifically as possible, what will be examined, why it is important and how the study will be carried out.

(3) Body of the Report
This describes and lists the information that was gathered.

(4) Conclusions
This section discusses the information that was presented in section (3) above.

(5) Recommendations
In this section, the person preparing the report expresses his opinion and makes recommendations about the action he feels should be taken on the topic, project or problem.

(6) Appendix
Maps, statistics, tables of figures, etc., appear in this section. This material is necessary so that anyone reading the report understands it as fully as possible.

NOTE: It is of the utmost importance that reports be:

(a) Well-organized
(b) Clear and concise
(c) Neat
(d) Accurate.

You will be examining report-writing in greater detail in lesson BC5.

11. Mention: "Knowing how to conduct and participate in meetings may help you in your business and in the community".
Ask students to organize themselves into a meeting to handle one of the following situations:

NOTE: The instructor should not assist students in this exercise as the purpose is to see what sort of meeting format and procedures they adopt. Some groups of students may have had prior experiences in handling meetings, hence they may do the right things (for example, elect chairman, appoint secretary, etc.) Other groups, however may flounder a lot.

a. Meeting to elect representatives for student council (or some other similar issue students may currently be faced with).

b. Meeting of the town council (see Case BC2 - 1) to decide which of several offers to accept regarding building of the trailer court. One student could play part of Arnold Ramsay, other students could play part of other applicants. All applicants could be present at town council meeting to present their respective cases. Council has to vote on which offer to accept. The instructor can be flexible in outlining the meeting situation to the students.

c. Any situation which the students may suggest.

12. Read Sections 4 and 5 of Readings.

4. Conducting Meetings

Lesson BC3, "Conducting Business Meetings", will give you much detail on how to conduct formal and informal meetings. For now we will just outline some of the general points about a meeting.

a. The purpose of the meeting should be made clear.
b. Meetings should have a leader (a chairman).
c. Meetings should have a person to record things (especially in formal meetings).
d. Discussion during the meeting should stick to the problem being dealt with.

5. Summary

In this lesson you have discussed communication skills that will be important in your business careers. It should be noted that these skills are useful and valuable not only when you are in business but at any time. The success of this course, for example, depends upon how well all of us can communicate.

This lesson has discussed some of the points we will focus on as the course progresses. The most important point to remember is that communication skills must be practised to be improved. For this reason you will be asked to prepare speeches, letters and reports throughout the course. You will also have the opportunity to conduct a formal business meeting.

Indicator

13. Have students discuss the importance of communications in business or any other job where leadership is involved.

14. Hand out case BC2 - 2, "Dickson's Outfitting Camp." Read case for students or play pre-recorded tape. Answer student's questions at the end of the case. If there is still hesitancy about the importance of communication in business, a review and further discussion may be necessary.

SUBJECT BUSINESS COMMUNICATION

LESSON BC2 COMMUNICATING IN BUSINESS

CASE BC2 - 1

GETTING THE BUSINESS GOING - COMMUNICATIONS

Arnold Ramsay was getting ready to take advantage of a business opportunity in a nearby town.

The town had a population of 4,000. Most families lived in houses, but some (about 20) lived in mobile home trailers. These 20 families had their trailers parked in different lots and yards around town.

The town council met to discuss the matter of mobile homes. The council members felt the mobile homes were an eyesore to the town because they were scattered all over the place and many of them had messy looking yards. The councilmen felt the solution to the eyesore would be to locate all the mobile homes in one place. They thought the town should have a trailer park and make it law that all mobile homes had to be kept in this park.

Soon a bylaw was passed that set apart a piece of land for a trailer park. The bylaw also required that all mobile homes had to be moved to this spot within twelve months. The town advertised for someone to make an offer to buy the land and make it into a trailer park.

Arnold sat down to figure out what steps he should take to get the trailer court business going.

Question for Discussion

1. What kinds of communications might Arnold have to engage in? And with whom?

SUBJECT BUSINESS COMMUNICATIONS

LESSON BC2 COMMUNICATING IN BUSINESS

CASE BC2 - 2

DICKSON'S OUTFITTING CAMP

Bob Dickson and his wife operate a fly-in outfitting camp for sport fishermen in northern Canada. Each year tourists come from all over Canada and the United States to fish for pickerel and trout in the deep, cold lakes around the Dicksons' camp.

Dickson's Outfitting Camp consists of ten cabins; each cabin has sleeping but no cooking facilities. Mrs. Dickson feeds the tourists in the main building at the camp. The cabins are kept nice and clean by two hired girls who are the daughters of a nearby trapper.

Ten trained guides take the tourist fishermen out on the lakes to fish every morning. In the evening, the guides rest in their sleeping quarters while the tourists gather in the main building to talk and listen to stories told by Bob Dickson. Bob is concerned about keeping the tourists happy. He knows that the only way he can keep his cabins full next year is to send away happy tourists who will tell their friends and relatives about his camp. He writes many letters back and forth to tourists each winter. Bob gets some help in promoting his camp from the provincial government (which publishes pamphlets on outfitting camps and distributes them to cities across Canada and the United States). The government also runs ads in the newspapers and, sometimes, on television.

One day Bob picked up a newspaper and saw an ad in it calling for a man to work in the Provincial Tourist Office. The man would be responsible for promoting all kinds of tourism in the province. The ad said the man would have to be a good communicator.

Bob laughed at this. He said to himself, "If I can do anything, I can communicate. It's real important in my business." He began to think about all the communicating he does in his business. Bob's thoughts are shown below.

1. WRITING

   a. Letters to tourists - about 400 letters a year to every kind of person from the mayor of New York city to a retired janitor in Chicago who wants to know how much it costs to stay at my camp for a week.

   b. Letters to the government - telling them what features my camp has so they can do some promotion for me.

   c. Letters to guides - every spring I write to all the guides I know to see if they will come to work for me in the summer.

   d. Notes to workers - on busy days I leave notes telling them how to clean the cabins or what cabins to clean. I even leave my wife notes telling her how many to expect for supper.

   e. Letter to the bank - every time I want a loan or have any question to ask, I have to write to my banker. This has to be a formal business letter. I don't want him to think I'm stupid.

2. TALKING

   a. To tourists - I must spend three hours a night telling them tales and keeping them happy. Sometimes I talk to them long distance on the phone when they call up wanting more information. You have to be a real smooth talker at times. It's important to have the customers say good things about the camp.

   b. To the guides - I hold weekly meetings with the guides to discuss our plans and to hear if they have any complaints. I have to be a good listener too. These meetings are very democratic. I'm the chairman and try to keep discussion going.

   c. To outsiders - one time I gave a speech at the Outfitters Association Annual Meeting. I wanted to tell them how I thought we should all get together and do joint advertising. I was a little scared to stand up in front of a formal meeting, but I think it is real important to get your ideas across sometimes. It wouldn't bother me to give a speech now.

Questions for Discussion

1. What different audiences does Bob have to communicate with?
2. What are the different types of communication Bob has to use effectively?
3. In what ways is communication important in Bob's business?

SUBJECT MANAGEMENT PROCESS

LESSON MP6 SUCCESS AND FAILURE IN BUSINESS

INSTRUCTOR'S GUIDE

OVERVIEW

Each year the number of new businesses which fail is very high. In most cases the owner-manager had no idea of what to expect, was over-confident and lacked training and management ability. It is important for students to realize that starting a business does not guarantee its success. Keeping the business going successfully can be quite a challenge.

This lesson is not, however, intended to scare the students away from becoming owner-managers. Rather it is hoped to leave the students with the feeling that through study, good planning and hard work, they can make a success of their business ventures, and thus find very rewarding careers.

OBJECTIVE

The student will become aware of the various reasons for business success and failure.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Broom, Halsey N. & Longenecker, Justin G. Small Business Management. 2nd ed. Cincinnati, Ohio: South-Western Publishing Company, 1966, pp. 83 - 96.
2. Canada. Department of Manpower and Immigration and Davies, R.V. Success and Failure Factors of Small Businesses. Ottawa: Information Canada, 1967.

3. Kelley, Pearce C., et al. How to Organize and Operate a Small Business. 4th ed. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1968, pp. 19 - 57.

RESOURCES REQUIRED

1. Dun and Bradstreet, Failure Record Through 1971 (or most recent year available). Sufficient copies for all students.
2. Case MP6-1, "Lee's Service Station"
3. Two flip charts

METHODOLOGY

1. Hand out the Readings.

2. Read the Purpose and Introduction.

PURPOSE

In this lesson you will look at the reasons why some businesses fail and why some succeed.

INTRODUCTION

No doubt, you want your business to be a success. By taking this course you should have a better chance of being successful in business, BUT we cannot give you a guarantee. You have to work to be successful.

Before you start your business you should look at the reasons why some businesses fail and some succeed. This may help you avoid some of the more common pitfalls.

Stimulus

3. Distribute Case MP6 - 1, "Lee's Service Station". Read to the students (or play pre-recorded tape for variety). The purpose of the case is to have students consider some of the reasons for business failures.

Clarify Problem

4. Discuss the question at the end of the case. List the answers on the flip chart.

5. Point out the following (if the students have not already done so):

   a. Before Mr. Lee took over, the station had the best sales volume of any service station in town. However, Mr. Lee's business failed; therefore, taking over a successful business is no guarantee of success.

   b. Mr. Lee had a poor attitude towards his customers. (Have the students discuss the two incidents given in the case).

      To lead the students into generalizing on these incidents, ask:

      "Did Mr. Lee look farther than at today's sales?"

      Point out that Mr. Lee was very short-sighted. He didn't realize that if he treated customers poorly they probably would not come back in the future. And repeat customers are important for any business.

   c. Sum up discussions of case by referring back to the objective and pointing out that, before they start their own business, the students need to consider what makes a business a success and what causes it to fail.

6. Have one student write at each flip chart. Have them list at the top of one flip chart: "Why Do Businesses Fail?" and at the top of the other chart: "Why Do Businesses Succeed?"

7. Now ask the students to give examples of businesses they are familiar with that either failed or are successful. List names (or types) of businesses on a separate page of the flip chart; then ask the students to suggest reasons why each business failed or is successful.

8. When enough examples and reasons have been listed, summarize the suggested reasons for success and the reasons for failure. There will likely be common reasons suggested for each business listed.

Provide Information

9. Read Sections 1 and 2 of the Readings; have the students discuss each section.

10. In discussing Readings, provide some positive support, such as telling the students;

"You must think of how you are going to make your business a success."

"There is no doubt that you can be a success in business but remember, it takes hard work and a lot of planning to make a business a success."

"Studying the reasons businesses fail can help you avoid them."

CONTENT

1. What is Meant by a Business Failure?

When a business fails most people say it "went broke" or "went bankrupt". However, there are several different meanings for these terms; that is, we can define business failure in several ways. For example, we may say a firm fails when:

a. The firm "goes out of business". This is a very general definition. The firm may have just closed down. There may not be any real failure.

b. The firm "closes down so that losses will not occur". In this case the owners of the business see that they cannot make enough profit so they shut down the business.

c. The firm "cannot pay its debts". In this case we say the business went BANKRUPT.

For this course it is best to think of business failure as defined in "b" and "c" above. In both these definitions the business is obviously in severe trouble, therefore we can say the business failed.

2. What Causes a Business to Fail?

Both big and small businesses can fail. Going broke is bad enough but failing and not knowing why is even worse.

It is important, therefore, for you to look at reasons why businesses fail.

Usually there is more than one reason why the business failed.

LIST OF REASONS WHY BUSINESSES FAIL

a. Management Problems

(1) lack of experience
(2) lack of knowledge of business
(3) poor personality
(4) laziness
(5) inability to get along (for example, in partnerships.

b. Money Problems

(1) There is not enough money to keep the business going (this could mean that the owner does not have enough savings to put into the business or he cannot borrow enough money to keep it going or the business is not making enough profit to stay alive).

(2) The owner or his family takes too much money out of the business.

(3) Customers stop buying from the business; therefore, the business does not have enough money coming in to cover its debts.

c. Poor Planning

(1) Business is in wrong location (market is not big enough).

(2) Business does not have the right products at the right time.

There are many other things we could add to the above list.

11. Following Section 2, the instructor may wish to discuss examples of failures he knows and add some of the following reasons for business failures.

OTHER REASONS WHY BUSINESSES FAIL

a. Poor bookkeeping, or none at all

b. Poor advertising

c. Poor displays of merchandise (if a store)

d. Poor customer service (for example, will not accept returned goods, won't pay for goods he sells that turn out to be damaged)

e. Poor hired help (workers are lazy, unco-operative, etc.)

f. Economic conditions are bad (that is the business is in a slump)

g. The community is against the business (community pressures cause failure)

h. Family pressures

i. Business charges too high prices

j. Out-of-date buildings and equipment in business

k. Too much investment in buildings and equipment

l. Excessive expenses.

12. Read Section 3 of the Readings.

3. What Causes a Business to Succeed?

Again we can say there are many reasons why a business may be successful. Mostly these reasons are just the opposite of the reasons why a business fails.

LIST OF REASONS WHY BUSINESSES SUCCEED

a. Management Reasons

(1) Owner-managers are:

- experienced
- knowledgeable (have the "know how" and can apply it)
- willing to work hard
- good personalities
- not lazy
- able to get along with their partners.

b. Money Reasons

(1) Because the business is managed,well it makes a profit.

(2) The owner and his family keep their own money separate from the business.

c. Good Planning
In all areas of business -- good location, good products, good organization, etc.

13. The instructor may now want to discuss some or all of the following generalizations about small business operation. Involve the students in a discussion of these.

a. Few small businessmen expect to remain small - they expect to be successful and increase their size.

b. Too few small businessmen know how to keep accurate records of their business operations.

c. Many businessmen don't see the risks involved in their type of business.

d. Often a person starts a business by buying out some other business. In many cases, he doesn't investigate to see why the other person wants to sell the business.

e. Small businessmen don't like to talk about their own problems or sometimes they don't know that they do have problems.

f. Small businesses are usually owned and operated by one man. The success of the business completely depends on the judgments of this one man. He doesn't have the assistance of experts as most big businesses do. If the owner expands his business too quickly, he isn't able to keep up with all the extra work and the business may fail.

g. Many owner-managers of small businesses don't make plans for somebody to take over their business when they die or want to retire. Therefore, the business may have to close down or be sold to someone else.

h. Some small businessmen don't put all their efforts into one undertaking. They tend to scatter their efforts into many different ventures (for example, grocery store, taxi, garage). Sometimes, this scattering is necessary, but sometimes it may weaken a business and cause it to fail.

14. Read Section 4 of the Readings.

4. Some Statistics on Business Failure in Canada

Every year there are records kept on how many businesses fail in Canada. These statistics on both large and small businesses are collected by the DUN AND BRADSTREET COMPANY. You will be given a Dun and Bradstreet booklet on business failures. You should study this booklet.

15. Pass out a copy of Dun and Bradstreet's Failure Record Through 1971 (or most recent issue available.)

16. Call the students' attention to the following pages in the Dun and Bradstreet booklet. (Pamphlet is for information only. We are not trying to scare the students.)

    a. Page 1 (inside front cover)
    Point out how they define business failures. Note that there are a number of additional business failures which are not recorded here. Many of these businesses had enough owner capital to settle all debts and therefore no court proceedings were undertaken. Look at the number of business failures per 10,000 firms and note the:

    (1) low failure rate near and after the end of World War I (1917) - there were only 77 failures and after World War II (1943) - there were only 11 failures.

    (2) high failure rate during early 1920's (slight depression) and early 1930's (great depression).

    This shows that general economic conditions affect the rate of business failures.

    b. Page 2
    Discuss "Classification of Causes of Business Failures in Canada" - concentrate on the left half of the table. Ask one student to list at the top of the flip chart: BUSINESS FAILURE DUE TO POOR MANAGEMENT. Then ask the students to suggest which of the causes of business failure are due to poor management.

    The students should come up with a list similar to the one below.

BUSINESS FAILURE DUE TO POOR MANAGEMENT (1969 Experience)

Lack of business experience	13.5%
Lack of managerial experience	12.2%
Unbalance of experience	9.8%
Incompetence	61.5%
	97.0%

Poor management causes about 97% of all business failures. Remind the students that this Small Business Management course cannot guarantee success, but it should give them training to help them become better managers.

c. Pages 3 and 4
This deals with the number of business failures in different types of industries and can be looked at in their spare time.

d. Page 5
This is of general interest. It shows a breakdown of business failures by provinces.

e. Page 6
This shows how old the businesses were when they failed. Point out that about 55% of the businesses that failed were less than five years old. This means that the early years of the firm's life are critical. Usually the second year is the most critical period for a business.

These figures can be used to emphasize the need for years of hard work and good management before a business can be made a success.

17. Read Section 5 of the Readings and discuss.

5. Summary

In this lesson you looked first at what is meant by "business failure" and then went on to examine the major reasons for business failure or success.

You saw that lack of managerial ability and experience are the major causes of business failures. This Small Business Management course which you are now taking will help greatly in providing the management "know-how" required to have a successful business.

Indicator

18. Discussion during the lesson.

SUBJECT MANAGEMENT PROCESS

LESSON MP6 SUCCESS AND FAILURE IN BUSINESS

CASE MP6 - 1

LEE'S SERVICE STATION

Mr. Lee owned and operated a service station which he bought from an old man who had run the station for 15 years. The sales were the best of any service station in town. There were many loyal customers. The former owner had been a very popular man in the community. Some of this popularity rubbed off on the new owner, but there were a lot of people in the community who didn't like Mr. Lee.

As soon as Mr. Lee took over the service station his business began to fall off. Within a period of two years almost all the old customers had slipped away and few new customers came to the service station.

The biggest reason for losing sales was the attitude Mr. Lee had towards his customers.

For example, when a boy came to the station with his bicycle and wanted air for the bicycle tire, Mr. Lee told him, "I'm here to sell gasoline, not give air away - ask your old man to buy you a tire pump - don't come bothering me."

Another time a man on his way to a wedding stopped for gasoline. Mr. Lee sold him gas but was in such a hurry he didn't check the oil or wash the windows. When the man asked Mr. Lee to do these things. Mr. Lee did them in bad humour and grumbled about all the work he had to do. He did only the windshield in spite of the fact all the windows were dusty.

After several instances like these, the word got around about Mr. Lee's poor personality. Nobody wanted to buy their gas from him. The successful business Mr. Lee had taken over went broke after Mr. Lee was in business for only two years.

MP6

Question for Discussion

1. The service station had been a success for 15 years before Mr. Lee took over. Why did it go broke within two years after Mr. Lee became the owner-manager?

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB1 INTRODUCTION TO FINANCE, ACCOUNTING, BOOKKEEPING

INSTRUCTOR'S GUIDE

OVERVIEW

Small business is very important to Canadians.

> *It accounts for one-half the business activity in Canada. Collectively it is a major employer and in many instances represents the seed bed for new ideas and important large industries.*[1]

Although it is important, there is a serious inhibitor to its full contribution in the Canadian economy. This inhibitor is the high failure rate among Canadian businesses.

The Dun and Bradstreet Report identifies the major causes of failure as Managerial Incompetence and Managerial Inexperience.

CAUSES OF BUSINESS FAILURE	
Incompetence	61.5%
Inexperience	35.5%
All other	3.0%
Total	100.0%[2]

---

[1] D.S. Conger. Management Training and Area Development. A talk presented to the ARDA Conference in Winnipeg, December, 1967.

[2] Dun and Bradstreet. The Failure Record Through 1969. Toronto: Dun and Bradstreet of Canada, Limited, 1969 , p. 3.

Thus incompetence and inexperience account for 97% of all business failures. If management had controlled when they should have, this wouldn't have happened. Logical action, based on sound assumptions and facts and figures, is bound to minimize the unknown factor and therefore minimize the risk of failure.

Another point that should be noted is the fact that 56% of those businesses that failed in 1969 had been in business for five years or less. The first few years of operating a business are usually more hazardous because this is the testing period of the ability, stamina and management-instinct of the owner.

To succeed, it is important to develop skills in financial management. As an owner-manager improves his financial skills, he must also invest the necessary time in financial planning and control of his business. In a small business, financial information is probably even more vital than it is in a larger one, and yet it takes less time to generate.

Financial skills include understanding of the Balance Sheet, the Profit and Loss Statement, Cash Flow Projection, and Source and Application of funds; all of which are discussed in the Finance, Accounting, Bookkeeping area of this course.

Many owner-managers of small businesses try to start operations or try to expand on a very thin investment. Lack of working capital is usually the greatest weakness of the small business. This problem is discussed and various sources of financing are examined in the course.

In many small businesses the owner-manager must prepare his own records. The principles of bookkeeping, however, not only prepare the student to handle books in a business but also enable him to make the best use of professional advice and help.

This first lesson in the Finance, Accounting, Bookkeeping area is intended to make the student aware of the many ways money is involved in business, the necessity of keeping records, and how records help in decision-making.

We want to stress the fact that financial information is necessary for the owner-manager who needs to know the general financial condition of his business in order to decide on future courses of action. In addition, a number of governmental agencies and financial institutions require financial information for tax purposes or for use in evaluating loan applications. The businessman cannot possibly remember the large number of transactions on the money side of the business. Since the information is vital to the very survival of the business -- both for the personal use of the owner and as required by law (for income tax purposes, etc.) -- bookkeeping records are essential.

FAB1

OBJECTIVE

The student will discuss the use and need for bookkeeping records in a business.

RESOURCES REQUIRED

1. Flip chart.

METHODOLOGY

1. Hand out Readings.
2. Read the Purpose and Introduction. Discuss.

PURPOSE

In this lesson you will discuss:

1. the many ways money is involved in business
2. the necessity of keeping records of the money paid out and received by a business
3. how records can help in making business decisions.

INTRODUCTION

Money is necessary to start and run any business - large or small. A business needs money to pay off its bills, taxes, loans and employees.

In business you must use your money wisely and one of your most important aids is a good set of records. These records will show the things involved in the dollar side of your business.

OBJECTIVE: THE STUDENT WILL DISCUSS THE USE AND NEED FOR BOOKKEEPING RECORDS IN A BUSINESS.

Stimulus

3. Ask the students if records are important to a businessman.

Clarify Problem

4. If students answer that records are important to a business, have them clarify how the records would be important. List clarifications on the flip chart.

   If students answer that they feel that records would be of no use or if they are unclear how records could be of use, ask them to list the types of questions they would want to find out about a business operation before buying or setting one up. List their questions on the flip chart.

   After listing all the questions ask the students how the businessman would go about answering the questions -- what sources would be used?

   NOTE: The source of information to answer most questions about any business (past and/or future) is records.

   Now ask again the question: "Are records of importance to a businessman?"

CONTENT

1. What are Business Records?

   When you are in business, you will need to answer these questions:

   a. How much money do you owe for loans?

   b. How much money did you receive from cash sales last month?

   c. How much money is your merchandise worth?

   d. How much do people buying on credit owe to you?

   e. How much merchandise did you buy last week?

   f. How much have you paid out in wages so far this year?

   g. How much have you paid to the government for Unemployment Insurance and Canada Pension Plan on behalf of your employees?

   Where will you find the answers to these questions?

   Your business records will answer these and many other questions which are important to a business.

Your records are a set of books into which you record the dollar dealings of your business. In the Finance, Accounting, Bookkeeping lessons (FAB lessons) you will learn how to record the dollar dealings of business and how to use the information to help you make business decisions.

In the FAB lessons you will learn to record:

a. Revenues
b. Expenses
c. Purchases
d. Credit Sales
e. Cash Sales
f. Cash Receipts
g. Loans
h. Grants
i. Cash Payments
j. Time Payments
k. Cheques
l. Deposits
m. Payroll
n. Taxes
o. Bad Debts
p. Depreciation
q. Other money dealings

5. Read Section 2 of the Readings.

2. Who Uses the Information that Business Records Contain?

Some of the people that would use your business records to obtain information are:

a. The owner of the business - You as the owner-manager of your own business would want to know all about the money dealings of your business.

b. Manager of the Credit Union - If you applied for a loan for your business, the manager of the credit union would want to know how well you were running your business and whether your business was making money.

c. Bank Manager If you applied to the bank for a business loan, the bank manager would want the same kind of information as the manager of the credit union.

d. Suppliers of stock and merchandise - Suppliers would want to know whether your business can pay what it owes. This will help them decide whether they should ask you to pay cash for stock and merchandise or whether they can give you credit.

e. Government departments and agencies - Some government departments and/or agencies will provide loans if the person or the company can qualify for it. They might insist that business records be available for them to check. The Taxation Department might want to check your business records from time to time.

NOTE: Failure to pay taxes on time can result in a fine and the taxes still must be paid.

As you can see, business records are valuable to you as owner-manager of your own business, and they are also required by:

a. Government departments - for tax purposes or when applying for loans

b. Banks or credit unions - when applying for loans

c. Suppliers - if you are buying your stock on credit.

In the FAB lessons you will learn how to prepare business records for yourself as well as government departments and others interested in the financial affairs of your business. In addition, you will be shown how to prepare the forms that the governments require for sales tax, unemployment insurance, Canada Pension Plan, and income taxes.

6. Discuss the Readings.

7. Read Section 3 of the Readings.

3. Lessons in FAB

Following is a list of the lessons you will take in Finance, Accounting, Bookkeeping.

LESSON NUMBER	TITLE
FAB1	Introduction to Finance, Accounting, Bookkeeping
FAB2	What is Bookkeeping, Accounting and Financial Management?

FAB1

FAB3	What is a Business Worth?
FAB4	Starting the Bookkeeping System
FAB5	Recording Business Transactions
FAB6	Recording Revenues and Expenses
FAB7	Taking the Trial Balance
FAB8	Preparing the Work Sheet
FAB9	Elementary Profit & Loss Statement
FAB10	Elementary Balance Sheet
FAB11	Recording Closing Entries
FAB12	Sources of Funds For Starting the Business
FAB13	Bookkeeping Reviewed
FAB14	Recording Your Purchases
FAB15	Should You Sell on Credit?
FAB16	Recording Credit Sales
FAB17	Recording Cash Receipts
FAB18	Sales Tax
FAB19	Recording Cash Payments
FAB20	Handling and Recording Cash
FAB21	Banking
FAB22	The General Journal
FAB23	Inventory
FAB24	Adjustments For Inventory
FAB25	Financial Statements
FAB26	Payroll Deductions
FAB27	Recording the Payroll
FAB28	The Synoptic Journal
FAB29	Depreciation
FAB30	Year-End Adjustments
FAB31	Preparing Financial Statements
FAB32	Year-End Reporting
FAB33	Personal Income Tax
FAB34	Business Income Tax
FAB35	Financial Management
FAB36	Analyzing the Profit and Loss Statement
FAB37	Analyzing the Balance Sheet
FAB38	Working Capital
FAB39	Planning and Budgeting
FAB40	The Cash Budget
FAB41	The Operating Budget
FAB42	Projected Financial Statements
FAB43	Financing the Business
FAB44	Finance, Accounting, Bookkeeping and the Management Process.

8. Discuss the areas that are covered in the Finance, Accounting, Bookkeeping area.

Lessons 1 - 2 Establishing the reasons for keeping records.

Lessons 3 - 30	Learning the mechanics of Bookkeeping and Accounting: (1) Debit/Credit (2) Posting Procedures (3) Journals (4) Ledgers (5) Synoptic (6) Bank Reconciliation (7) Balance Sheet (8) Profit and Loss Statement
Lessons 31 - 37	Analysis of the information in the records
Lessons 38 - 43	Planning and Budgeting
Lesson 44	Finance, Accounting, Bookkeeping in Management Decision-Making

9. Read Section 4 of the Readings.

4. Summary

The dollar side of business is very important. Business records help you keep track of how the business is doing. Knowing how to make up the records, analyze, and plan with them will increase your chances of business success.

Indicator

10. Have the students list on the flip chart the reasons why bookkeeping records are important to a business.

11. Have the students discuss the reasons listed on the flip chart.

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB2 WHAT IS BOOKKEEPING, ACCOUNTING, AND FINANCIAL MANAGEMENT?

INSTRUCTOR'S GUIDE

OVERVIEW

The financial aspects of business are of major concern to any businessman, particularly if he is placed in a position of responsibility. The manager of any business has a need to collect, report, interpret and use financial information.

This lesson defines what bookkeeping, accounting, and financial management are all about. Remember that the majority of the students you are working with have had little or no previous experience with business management. To them business is simply the sale of merchandise or services and the receipt of cash. In order to gain a clearer understanding of what management is all about, the student must be exposed to the management functions of planning, organizing, directing, and controlling - especially as to how these functions affect the varied tasks of management. (The overall view of these four functions is dealt with in the Management Process lessons.) Showing how these functions are translated into management tasks concerned with the financial aspects of business is the purpose of Finance, Accounting, Bookkeeping (FAB) lessons. Therefore, one of the first goals of the Finance, Accounting, Bookkeeping (FAB) lessons is to identify what the tasks of Bookkeeping, Accounting, and Financial Management are.

Bookkeeping can be defined as the task of collecting and recording the financial information of the business. Through the use of Journals and Ledgers, bookkeeping records and shows what assets are owned (the dollar value of these assets and how these assets were obtained) and what liabilities are owed (the dollar value of these liabilities and to whom they are owed). It also records and shows any changes in assets and liabilities.

FAB2

Accounting can be defined as the task of recording, classifying, summarizing, and interpreting the financial information of the business. By this definition bookkeeping (because it is the job of collecting and recording the financial information) is part of the job of accounting. Accounting is concerned with the preparation of financial statements and the interpretation of the information these statements contain.

Financial management can be defined as the task of using the financial information about the business in order to plan and control the future activities. It determines such things as: whether funds are available to start the business, if additional funds are required to stay in business, where the funds will come from and how the debts of the business will be paid.

The three tasks of bookkeeping, accounting and financial management are closely related; they all deal with the same facts from different points of view. Bookkeeping collects and records the financial information of the business. Accounting classifies, summarizes, and interprets the financial information of the business. Financial management uses the financial information of the business in order to plan and control future business activities. The interrelationship of these three jobs has been a vital factor in the sequencing of the Finance, Accounting, and Bookkeeping lessons. The student must first learn how to collect and record the financial information, then he must learn to classify, summarize, and interpret this financial information, and finally he must learn how to use the financial information in order to plan and control future business activities.

OBJECTIVE

Given a list of various management jobs the student will be able to identify which are bookkeeping, accounting or financial management tasks.

RESOURCES REQUIRED

1. Exercise FAB2-1, "Management Sales"

METHODOLOGY

1. Hand out the Readings.

2. Read aloud the Purpose and Introduction.

PURPOSE

In this lesson we will discuss management's need for bookkeeping, accounting and financial management.

INTRODUCTION

Management is responsible for the success or failure of a business. Management must co-ordinate the resources of the business; these are:

1. money
2. materials
3. men.

To help plan, organize, direct and control the dollar side of business, management engages in bookkeeping, accounting and financial management. A good set of records is essential to the whole management process.

OBJECTIVE: GIVEN A LIST OF VARIOUS MANAGEMENT JOBS THE STUDENT WILL BE ABLE TO IDENTIFY WHICH ARE BOOKKEEPING, ACCOUNTING OR FINANCIAL MANAGEMENT TASKS.

Stimulus

3. Ask the students to describe in their own words what accounting, bookkeeping and financial management mean. Have one of the students write the definitions on the flip chart.

4. Ask the students how records would be useful in doing the tasks of accounting and financial management. List the answers on the flip chart.

Clarify Problem

5. Read Section 1 of the Readings and have the students discuss.

CONTENT

1. Management's Financial Tasks

In order to make decisions, managers must have information. Where will you get information about the dollar side of a business when you are a manager?

You will find the financial information in the records or books of your business. You as the manager will be responsible for gathering and analyzing the information as well as for setting up plans based on the information.

The jobs of gathering information, analyzing the information, and setting plans based on the information are identified by special names as follows:

a. Gathering information about the financial side of the business is called bookkeeping.

b. Analyzing the information is called accounting.

c. Setting up plans based on the information is called financial management.

Without records an accurate picture of the business is not available. Without a clear picture (i.e. enough information) you cannot expect to make the correct decision or decisions. Knowing how to set up and use records is essential to the success of the business.

Provide Information

6. Read Section 2 of the Readings.

2. Bookkeeping

Bookkeeping is the job of recording the dollar information of the business. It is the job of gathering the sales slips, cheques, invoices, vouchers, and other paper documents and actually writing the dollar figures into a set of records.

In the following FAB lessons you will be doing bookkeeping for different types of business transactions.

7. Have the students discuss Section 2 of the Readings and refer to the meanings listed by the students on the flip chart.

The following FAB lessons deal with bookkeeping:

FAB4	Starting the Bookkeeping System
FAB5	Recording Business Transactions
FAB6	Recording Revenues and Expenses
FAB11	Recording Closing Entries
FAB13	Bookkeeping Reviewed
FAB14	Recording Your Purchases
FAB16	Recording Credit Sales
FAB17	Recording Cash Receipts
FAB19	Recording Cash Payments
FAB21	Banking
FAB22	The General Journal
FAB24	Adjustments for Inventory
FAB26	Payroll Deductions
FAB27	Recording the Payroll
FAB28	The Synoptic Journal
FAB29	Depreciation
FAB30	Year-End Adjustments

8. Read Section 3 of the Readings.

3. Accounting

Accounting is defined as the task of recording, classifying, summarizing and interpreting information about the dollar activities of a business. Let's look closer at this definition.

a. Recording
This refers to the task of collecting, and entering into the books the financial information of the business.

b. Classifying

(1) Which activities of the business are concerned with the taking in of cash?

(2) Which activities of the business are concerned with the paying out of cash?

(3) Which activities of the business are concerned with buying or selling of equipment, land, buildings, or merchandise?

To show a clearer picture of the results of business operations, similar types of business activities can be grouped together. It is part of the accounting task to decide how the financial information is to be grouped together.

c. Summarizing

(1) How much money was taken in from cash sales during the past week, month or year?

(2) How much money did you receive from loans?

(3) How much did you pay out for wages, power, merchandise, etc.?

By totalling the various groups of information you have in your records, and by presenting the totals in various financial statements, you are able to answer the above questions and many others.

d. Interpreting

(1) Did you sell more this month than last month?
(2) Do you owe more money than you are able to easily repay?
(3) How much do you owe?
(4) How much do you own?

Through examining the financial statements you are able to determine how your business is doing now as compared to the past and how certain decisions have affected the business.

In the Finance, Accounting, Bookkeeping lessons you will learn how to prepare the financial statements you will need, how to compare these financial statements (to each other and to those of other periods), and how to analyze these financial statements in order to determine the financial position of your business.

9. Discuss Section 3 of the Readings with the students. Where appropriate refer to the meanings of accounting listed by students (under point 3 of Stimulus).

The following FAB lessons deal with accounting:

FAB3	What is a Business Worth?
FAB7	Taking the Trial Balance

FAB2

FAB8	Preparing the Work Sheet
FAB9	Elementary Profit & Loss Statement
FAB10	Elementary Balance Sheet
FAB18	Sales Tax
FAB20	Handling and Recording Cash
FAB21	Banking
FAB23	Inventory
FAB25	Financial Statements
FAB26	Payroll Deductions
FAB31	Preparing Financial Statements
FAB32	Year End Reporting
FAB33	Personal Income Tax
FAB34	Business Income Tax
FAB36	Analyzing the Profit and Loss Statement
FAB37	Analyzing the Balance Sheet
FAB38	Working Capital
FAB40	The Cash Budget
FAB41	The Operating Budget
FAB42	Projected Financial Statement

10. Read Section 4 of the Readings.

4. Financial Management

Financial management is defined as the task of using the financial information of the past in order to plan and control future business activities.

Some of the questions you will be faced with when planning and deciding how to control these future activities are:

a. Do you have enough money to start the business?
b. Will you need additional funds in order to stay in business?
c. Will the business have enough ready cash to pay its bills when they are due?
d. Where can you get funds from?
e. What are the best repayment terms for your business?

To aid in answering these types of questions the Finance, Accounting, Bookkeeping lessons will show you how to prepare and use the following tools:

a. Cash Flow Statement
b. Source and Application of Funds Statement
c. Break-even Analysis
d. Operating Budget.

11. Have the students discuss Section 4 of the Readings. Where appropriate to the meanings listed by the students on the flip chart.

The following FAB lessons deal with financial management:

FAB12	Sources of Funds For Starting the Business
FAB15	Should You Sell on Credit?
FAB36	Analyzing the Profit and Loss Statement
FAB37	Analyzing the Balance Sheet
FAB38	Working Capital
FAB39	Planning and Budgeting
FAB40	The Cash Budget
FAB41	The Operating Budget
FAB42	Projected Financial Statements
FAB43	Financing the Business

NOTE: Many of the lessons in the Finance, Accounting, and Bookkeeping area fall into more than one of the functions of bookkeeping, accounting or financial management. This is so because bookkeeping is part of the function of accounting. Likewise, accounting is part of financial management, financial management in this sense is more than just arranging for and payment of short, intermediate and long-term financing.

12. Read Section 5 of the Readings and discuss.

5. Summary

The tasks of bookkeeping, accounting, and financial management are closely related. They all rely upon the presentation and use of financial information in order to plan and control the dollar activities of a business.

a. Bookkeeping records the information.

b. Accounting classifies and summarizes the recorded information, and interprets the past performance of the business.

c. Financial Management uses the interpretation of past performance (obtained in accounting) to plan future business operations.

Indicator

13. Hand out Exercise FAB2-1.

14. Instruct the students to indicate those jobs which are part of the tasks of bookkeeping, accounting, or financial management by marking a "B", "A", or "F" beside the job. "B" is to indicate a bookkeeping job. "A" is to indicate an accounting job. "F" is to indicate a financial management job.

15. Discuss the student's answers to the exercise before indicating the answers.

Possible Answers

1. F
2. B
3. A
4. B
5. B
6. B
7. A
8. A
9. F
10. F
11. F
12. B
13. A
14. F
15. A

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB2 WHAT IS BOOKKEEPING, ACCOUNTING AND FINANCIAL MANAGEMENT?

EXERCISE FAB2 - 1

MANAGEMENT JOBS

Indicate which of the following jobs would be part of the bookkeeping, accounting, or financial management tasks by marking a "B", "A", or "F" beside each job.

"B" indicates Bookkeeping
"A" indicates Accounting
"F" indicates Financial Management.

________ 1. Arranging for a loan from the government.

________ 2. Recording a cash sale in your records.

________ 3. Preparing a statement to show how much the business owns and owes.

________ 4. Making deductions from an employee's pay cheque.

________ 5. Preparing a bank deposit.

________ 6. Writing a cheque for merchandise bought for resale.

________ 7. Calculating the total expenses for the past year.

________ 8. Calculating the profit made over the past year.

________ 9. Comparing the plans for last year's operations with the actual results of last year's operations.

________ 10. Seeking out sources of funds to expand the business.

_______ 11. Calculating how much money you need to expand the business.

_______ 12. Keeping track of the day-to-day payments of cash.

_______ 13. Calculating how much income tax you must pay because of last year's operations.

_______ 14. Comparing the expenses of operating an old machine to the expenses of buying and operating a new machine.

_______ 15. Seeing if the sales have increased over a period of years and if there is a pattern to these increases.

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB3 WHAT IS A BUSINESS WORTH?

INSTRUCTOR'S GUIDE

OVERVIEW

In all bookkeeping a certain pattern is followed. In most systems a temporary record of each transaction is first made. From this the permanent records of the business are drawn up -- these records are continuous year after year.

Periodically the records are summarized. Those belonging to a definite period are brought together to determine the revenue, operating costs and the profit or loss.

At the end of an accounting period, statements are prepared so that the owners may see how their business is progressing. These financial statements not only summarize the business for the period just completed but also serve as the starting point for the next financial period.

In this lesson the student will be shown how to start a bookkeeping system. As a starting point he must determine what the business is worth at the present time. To do this he prepares a simple Balance Sheet headed by the titles "What the Business Owns" and "What the Business Owes". The terms Assets, Liabilities, and Net Worth are then defined and used to replace the titles.

Anything a business owns that has a money value is an asset of the business; examples are: cash, merchandise, supplies, amounts owed by customers (accounts receivable), land, buildings, furniture, fixtures and equipment.

Anything the business owes is a liability. Liabilities might include amounts owed to suppliers (accounts payable) or to the bank (notes payable), wages earned by employees since the last pay day, and other amounts due.

The difference between what the business owns and what it owes is the amount that really belongs to the owner of the business - his Net Worth or equity (sometimes called capital or proprietorship).

Liabilities can be thought of as creditors' rights or claims against the assets of the business, and Net Worth as the owner's rights. The sum of these rights to the assets, of course, will always equal the sum of the assets themselves. In other words, the total assets will always equal the total liabilities (creditor's rights) plus the capital (owner's rights). More simply:

Assets = Liabilities + Net Worth

This equation is known as the accounting equation. It is the framework on which is built the financial records of a business.

OBJECTIVE

Given facts and figures about what is owned and owed by a business, the student will be able to prepare a Balance Sheet. The Balance Sheet will be evaluated according to the following criteria:

1. The itemization of the data follows the accounting equation: ASSETS = LIABILITIES + OWNER'S WORTH.
2. There is a heading at the top of the Balance Sheet that states who the statement is prepared for, what type of statement it is, and when the statement is prepared.
3. The total amount on both sides of the Balance Sheet is the same.
4. The information conforms to that given in the item.
5. Both sides of the Balance Sheet are totalled and the total double ruled.
6. The entries are legible.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Boynton, Lewis D. 20th Century Bookkeeping and Accounting. Toronto: W.J. Gage and Co., 1969. To be obtained from library.

This book may be used as a reference for all the bookkeeping lessons.

RESOURCES REQUIRED

1. Case FAB3-1, "Bill Duran Buys a Store".

METHODOLOGY

1. Review the definition of bookkeeping given in FAB2.

> *Bookkeeping is the job of recording the dollar information of the business. It is the job of gathering the sales slips, cheques, invoices, vouchers, and other paper documents and actually writing the dollar figures into a set of records.*

2. Tell the students that in this lesson they will begin learning how to use bookkeeping practices to prepare meaningful records.

OBJECTIVE: GIVEN FACTS AND FIGURES ABOUT WHAT IS OWNED AND OWED BY A BUSINESS, THE STUDENT WILL BE ABLE TO PREPARE A BALANCE SHEET. THE BALANCE SHEET WILL BE EVALUATED ACCORDING TO THE FOLLOWING CRITERIA:

1. THE ITEMIZATION OF THE DATA FOLLOWS THE ACCOUNTING EQUATION: ASSETS = LIABILITIES + OWNER'S WORTH.
2. THERE IS A HEADING AT THE TOP OF THE BALANCE SHEET THAT STATES WHO THE STATEMENT IS PREPARED FOR, WHAT TYPE OF STATEMENT IT IS, AND WHEN THE STATEMENT IS PREPARED.
3. THE TOTAL AMOUNT ON BOTH SIDES OF THE BALANCE SHEET IS THE SAME.
4. THE INFORMATION CONFORMS TO THAT GIVEN IN THE ITEM.
5. BOTH SIDES OF THE BALANCE SHEET ARE TOTALLED AND THE TOTAL IS DOUBLE RULED.
6. THE ENTRIES ARE LEGIBLE.

Stimulus

3. Ask the students if records are of any help in determining the value of a business.

Clarify Problem

4. Discuss the above question by having the students explain how the records could be of help in determining the value. Records will reveal the following:

How much is owned by the business.

How much is owed by the business to outside creditors (people or other businesses money is owed to).

By knowing how much is owned and how much is owed, it is possible to calculate the worth of the business.

Amount owned
Less Amount owed

Worth of Business

Provide Information

5. Hand out Readings.

6. Read aloud Purpose and Introduction.

PURPOSE

In this lesson you will learn how to record:

1. What the business owns
2. What the business owes
3. What the business is worth.

INTRODUCTION

Since bookkeeping records help you to see what progress the business is making, they can be called the "eyes of the business." Good records help you prepare plans for the future, avoid making mistakes, and determine the cause of any changes. Studies show that the success or failure of a business may often be traced to the lack of good bookkeeping records and the manager's lack of skill in preparing and analyzing records.

In starting a bookkeeping system the first step is to find out what the business is worth right at this time. Changes can later be recorded as they take place. In order to determine what the business is worth, it is necessary to know what is owned and what is owed.

7. State that the first step in business bookkeeping is to find out what is presently owned and owed.

8. Read Section 1 of the Readings.

CONTENT

1. Everyone is a Bookkeeper

You have been a bookkeeper from the day you received your first nickel. True, you probably did not keep a written record of the cash you were given or the cash you spent. When you bought soda pop or candy, you probably did not mark it down in a book; however, you did calculate the amount you would have left after buying these things. After paying for your purchase you counted the money in your pocket or purse, and subtracted this amount from the total sum you had that morning to make sure that you had not lost any money and had received the right change.

Although you completed the calculations mentally, you were actually performing some of the duties of a bookkeeper. If you had recorded these calculations on paper, you would probably have arranged them as follows:

Cash I had to spend	25¢	
Bought 1 soda pop	15¢	
Cash remaining		10¢
Bought 3 bubble gum	3¢	
Bought 2 licorice	4¢	
Total cost of candy		7¢
Cash I should have left		3¢

Today you receive and pay out more cash than when you were young. Now you must pay rent, heat, clothing, food, other necessities, and entertainment. But you still make the same basic calculations as above to be sure that you have the right amount of cash.

In addition you might wish to calculate how much you are actually worth (i.e., how much you can consider entirely your own at any time). To do this you could make up a statement of the things you own and the amounts you owe. The statement might look like the following:

Cash	$170.00	
Furniture	600.00	
Clothing	300.00	
Total Value of possessions		$1,070.00

Owing to grocery store	$155.00	
Owing on furniture	150.00	
Total debts		305.00
Own Net Worth		$ 765.00

In business, the recording of cash received and paid out and the calculation of the difference follows much the same procedure as in your everyday bookkeeping. However, the amounts involved and the number of things to record are so much larger that you have to use a method of keeping these records that will ensure their accuracy and also make them easily understood by everyone concerned.

9. Ask students how they would determine how much a business is worth.
10. Have students list their answers on the flip chart.
11. Read Section 2 of the Readings.

2. Measuring the Progress of the Business

You have just seen that your personal worth is obtained by subtracting the total value of your debts from the total value of your possessions. In the case of a business, this information must be kept in written form because even in a small office the necessary records are so numerous that no person can possibly remember all the details.

By comparing the value of your business at different times, you can see what progress your business is making. However before trying to measure the progress, a starting point from which to begin the measurement must be determined. This starting point is the exact value of the business at the time the detailed written records are begun.

The first step is to find out what the business owns and what the business owes. Then by subtracting the total amount owed from the total amount owned you will see what the business is valued at.

Joe Mathew is the owner of a small business. On December 31, he listed everything that his business owned - every article that it owned for the purpose of doing business, as well as the money used in conducting the business; and everything that it owed - money owing for articles obtained for use in the business. He listed the information as it is shown here:

What My Business Owns		What My Business Owes	
Cash	$ 300.00	Loans from gov't.	$2,000.00
Land	900.00		
Building	700.00		
Equipment & Furniture	400.00	TOTAL	$2,000.00
TOTAL	$2,300.00		

As Joe Mathew is interested in what the business is worth he lists only the things owned and owed by the business. He does not include his own private belongings and debts. From the list he can now find the value or net worth of his business by subtracting the total amount the business owes from the total of what it owns.

Total Amount Owned by Business	$2,300.00
Total Amount Owed by Business	2,000.00
Value or Net Worth of the Business	$ 300.00

12. Discuss and clarify the above Readings.

13. Read Section 3 of the Readings and discuss.

3. Balance Sheet

In business we call this itemized statement of what is owned and what is owed, a BALANCE SHEET. The Balance Sheet is a statement for one date only.

The heading of the statement answers these questions:

a. who is the statement prepared for?
b. what is the type of statement?
c. when was the statement prepared?

The heading of Joe Mathew's Balance Sheet would be as follows:

Joe Mathew
Balance Sheet
as of December 31, 19__

The body of the Balance Sheet is separated into three sections -- ASSETS, LIABILITIES and NET WORTH.

Let's examine what is put into each section.

14. Read Section 4 of Readings and discuss.

4. Assets

Anything that a business OWNS is called an asset. Some assets could be:

a. cash that the business has in the till
b. the land
c. the buildings
d. the merchandise it has on the shelves for sale
e. the equipment it uses to service customer's goods

These are just a few of the assets a business might have.

AN ASSET IS SOMETHING OF VALUE OWNED BY A BUSINESS

Assets are listed on the left-hand side of the Balance Sheet.

Assets		Owed
Cash	xx	--
Merchandise for Resale	xx	--
Land	xx	--
Building	xx	--
Equipment	xx	--
Total Assets	xxx	

Joe Mathew
Balance Sheet
as of December 31, 19__

Assets		My Business Owes	
Cash	$ 300.00	Loans from gov't	$2,000.00
Land	900.00		
Building	700.00	Net Worth	300.00
Equipment & Furniture	400.00		
Total Assets	$2,300.00	Total	$2,300.00

15. Read Section 5 of the Readings and discuss.

5. Liabilities

Any amount of money owed by the business is known as a LIABILITY. The one to whom the money is owed is called a CREDITOR because he has given credit to the business. Some liabilities of a business could be:

a. money owed to people who sold goods on credit
b. the amount owed on a loan
c. the amount owed on equipment and fixtures the business bought on credit.

These are just some of the liabilities a business might have.

> A LIABILITY IS A DEBT OWED BY THE BUSINESS. IT REPRESENTS A CLAIM BY OUTSIDERS ON THE ASSETS OF THE BUSINESS

Liabilities are listed on the right-hand side of the Balance Sheet.

Assets		Liabilities	
Cash	xx	Amount owed on goods bought on credit	xx
Land	xx	Amount owed on loans	xx
Building	xx	Amount owed on equipment & fixtures	xx
Equipment & Furniture	xx		
Total Assets	xxx	Total Liabilities	xxx
		Net Worth	xx
		Total Liabilities & Net Worth	xxx

Joe Mathew
Balance Sheet
as of December 31, 19__

Assets		Liabilities	
Cash	$ 300.00	Loan from gov't	$2,000.00
Land	900.00		
Building	700.00	Total liabilities	$2,000.00
Equipment & Furniture	400.00		
		Net Worth	300.00
Total Assets	$2,300.00	Total Liabilities & Net Worth	$2,300.00

16. Read Section 6 of the Readings and discuss.

6. Net Worth

The owner's or proprietor's claim on the assets of the business is known as the NET WORTH of the business. Other terms used for NET WORTH are OWNER'S WORTH, PRESENT WORTH, CAPITAL, or OWNER'S EQUITY.

If the business has no debts (liabilities) the Net Worth is equal to the total amount of the assets.

When the business has debts (liabilities), the Net Worth is equal to the difference between the total assets and total liabilities.

NET WORTH IS THE AMOUNT OWED BY THE BUSINESS TO ITS OWNERS AND REPRESENTS THEIR CLAIM ON THE ASSETS OF THE BUSINESS

The Net Worth section of the Balance Sheet is listed on the right-hand side of the balance sheet immediately below the liabilities.

Assets		Liabilities & Net Worth		
Cash	xx	**Liabilities**		
Land	xx	Amount owed on goods bought on credit		xx
Building	xx	Amount owed on loans		xx
Equipment	xx	Amount owed on equipment & fixtures bought on credit		xx
		Total liabilities		xxx
		Net Worth		
		Money owed to owners	xx	
		Present Net Worth		xx
Total Assets	xxx	Total liabilities & Net Worth		xxx

Joe Mathew
Balance Sheet
as of December 31, 19__

Assets		Liabilities & Net Worth		
Cash	$ 300.00	**Liabilities**		
Land	900.00	Loan from gov't		$2,000.00
Building	700.00			
Equipment & Furniture	400.00	Total Liabilities		$2,000.00
		Net Worth		
		Own Money	$300.00	
		Present Net Worth		300.00
Total Assets	$2,300.00	Total Liabilities & Net Worth		$2,300.00

17. Read Section 7 of the Readings and discuss.

7. Fundamental Bookkeeping Equation

ASSETS = LIABILITIES + NET WORTH

In any Balance Sheet the total value of the assets is equal to the total value of the claims of the creditors plus the value of the Net Worth.

Assets	Liabilities & Net Worth	
---	Liabilities	
---		----
---		----
---		----
	Net Worth	

══		══

Total Assets Equal Total Liabilities Plus Net Worth

Joe Mathew's Total Assets equal his Total Liabilities plus Net Worth so his Balance Sheet is correct.

TOTAL ASSETS	EQUAL	TOTAL LIABILITIES	+ NET WORTH
$2,300.00	=	$2,000.00	+ $300.00
2,300.00	=	2,300.00	

18. Read Section 8 of the Readings.

8. Summary

An ASSET is something of value OWNED by the business.

A LIABILITY is a debt OWED by the business. It represents a claim by outsiders on the assets of the business.

The NET WORTH is a debt OWED by the business to the owners and it represents their claim on the assets of the business. It is the difference between the total assets and the total liabilities.

The BALANCE SHEET is a statement of the assets, the liabilities and net worth of the business on a certain date.

The Fundamental Equation or the Balance Sheet Equation is:

ASSETS = LIABILITIES + NET WORTH

Indicator

19. Instruct the students to prepare a Balance Sheet from the information in the Case FAB3-1. The Balance Sheet must meet the criteria outlined in the objective.

Shown below is how this Balance Sheet should look.

Bill Duran's Store
Balance Sheet
As of July 5, 19__

Assets		Liabilities	
Cash	$1,650.00	Loan, government	$4,800.00
Land	300.00		
Building	1,500.00	Owner's Worth	
Equipment & Fixtures	1,250.00	Investment B. Duran	750.00
Truck	850.00		
Total Assets	$5,550.00	Total Liabilities & Owner's Worth	$5,550.00

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB3 WHAT IS A BUSINESS WORTH?

CASE FAB3 - 1

BILL DURAN BUYS A STORE

On June 30, 19__ Bill Duran decided to purchase the Middle Rapids Trading and General Store. He had $750.00 of his own savings that he was going to invest and he arranged for a loan of $4,800.00 from a government agency.

On July 5, Bill paid $1,500.00 cash for the building; $300.00 for the land; $1,250.00 for the equipment and fixtures; and $850.00 for an old half-ton truck. He did not buy any of the merchandise because it was too old to be of resale value.

With any money remaining from his savings and loan, Bill planned to purchase merchandise, improve the interior of the building and pay expenses such as power, heat and his own wages.

Questions for Discussion

1. Does Bill need to set up records for his business? If so, why?
2. Prepare a Balance Sheet for Bill Duran's business as of July 5, 19__.

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB4 STARTING THE BOOKKEEPING SYSTEM

INSTRUCTOR'S GUIDE

OVERVIEW

As shown in lesson FAB3, "What is a Business Worth", the first step in starting a bookkeeping system is to prepare a list of assets, liabilities and net worth in a statement known as a Balance Sheet. This Balance Sheet is a business paper from which information is entered into the books of the business. First it is entered into a book called the Journal (sometimes called a "Book of Original Entry"). A Journal is simply a record of the daily transactions of the business. The first entries (i.e. those from the opening Balance Sheet) are called "Opening Entries".

Each journal entry shows:

1. the date of the transaction
2. a brief description of it
3. the amount of money involved
4. the assets, liabilities, net worth, or type of revenue or expense affected by the transaction.

To make the information recorded in the Journal more usable, each item is transferred, or posted, to a General Ledger account. An account is a record of the increases and decreases in one type of asset, liability, net worth, revenue, or expense. A book or file in which a number of accounts are kept together is called a General Ledger.

A business uses as many accounts as it needs for keeping track of its operations. For instance, a small business (with few pieces of equipment) may have only one account for all its equipment. A large business will probably need an account for each type of equipment or even, in some cases, for a single piece of equipment. A business with only one owner will need only one ownership (net worth) account whereas a partnership will need an ownership account for each partner.

FAB4

The opening entries are recorded in the Journal and the General Ledger as follows:

Assets are recorded as Debits
Liabilities are recorded as Credits
Net Worth is recorded as a Credit.

The resulting entries must conform to the accounting equation rule:

ASSETS = LIABILITIES + NET WORTH.

OBJECTIVE

Given information about a business's assets, liabilities and net worth in the form of a Balance Sheet, the student will be able to:

1. Record the information in a Journal.
2. Post the Journal entries to the proper General Ledger accounts.

RESOURCES REQUIRED

1. Case FAB3-1, "Bill Duran Starts a Store".
2. 3-column Journal sheets. (These can be obtained from a stationery store.
3. Ledger Account sheets. (Buy a supply of both types for future lessons or run off a supply on a duplicating machine.

METHODOLOGY

1. Hand out Readings.

2. Read Purpose and Introduction.

PURPOSE

In this lesson you will learn how to record the information from the opening Balance Sheet into your business records.

INTRODUCTION

If information is to be of greatest value to the business it must be recorded in a permanent form.

A book used to record transactions as they occur in the business is called a JOURNAL. Journal information is then sorted by recording it into ACCOUNTS which are kept in a GENERAL LEDGER. This sorting enables a person to easily determine the number of each type of transaction that has taken place over a period of time.

In this lesson you will see how to make up the Journal and General Ledger.

OBJECTIVE: GIVEN INFORMATION ABOUT A BUSINESS'S ASSETS, LIABILITIES AND NET WORTH IN THE FORM OF A BALANCE SHEET, THE STUDENT WILL BE ABLE TO:

1. RECORD THE INFORMATION IN A JOURNAL.
2. POST THE JOURNAL ENTRIES TO THE PROPER GENERAL LEDGER ACCOUNTS.

Stimulus

3. Hand out the Journal sheets to the students. Show the students a type of Journal book commonly used in a business.

4. Tell the students that this is the type of book they will be using throughout the course for recording financial information about a business.

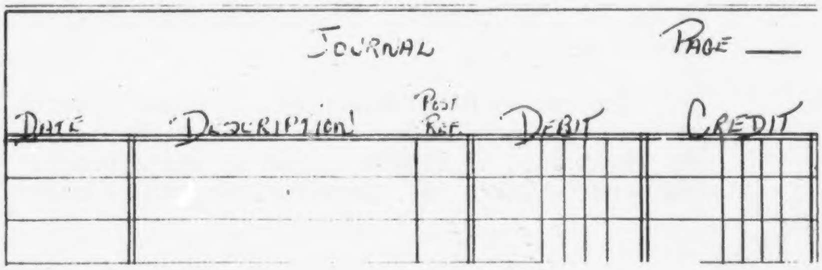
Clarify Problem

5. Read Section 1 of the Readings.

CONTENT

1. The Journal

A Journal is a book which records business transactions in the order they occur. The Journal pages you will be using in this course will look like the following example.



There are many other kinds of Journal pages; some have only one amount column whereas others have several. Later you will be using a Journal which has several amount columns.

6. On the flip chart or on a clear plastic sheet for an overhead projector, draw the form of the Journal page and enter column titles.

DATE	DESCRIPTION	POST REF.	DEBIT		CREDIT	

NOTE: Use this form that you have drawn to illustrate the examples given in the Readings.

7. Read Section 2 of the Readings. Use the form drawn in point 6 above to illustrate the steps in journalizing.

2. Recording in the Journal

The first two amount columns on the Journal sheet are used for recording money. The first amount column is headed 'DEBIT'; the second amount column 'CREDIT'. Amounts recorded in the left-hand or DEBIT column are known as DEBITS; amounts recorded in the right-hand or CREDIT column are known as CREDITS.

The values of assets, which appear on the left-hand side of the Balance Sheet, are recorded in the left-hand or Debit column of the Journal. Assets are therefore said to be recorded as debits.

The values of liabilities and owner's worth, which appear on the right-hand side of the Balance Sheet, are recorded in the right-hand or Credit column of the Journal. Liabilities and owner's worth are therefore said to be recorded as credits.

FAB4

As we said in FAB3, the first step in setting up a bookkeeping system is to prepare a list of assets, liabilities and owner's worth. This list was presented in the form of a Balance Sheet. The Balance Sheet is a business paper. The information it contains should be entered in the books of the business. The entry that begins or opens a new set of books is known as the OPENING ENTRY.

Joe Mathew
Balance Sheet
As of December 31, 19__

Assets		Liabilities & Net Worth		
Cash	$ 300.00	Liabilities		
Land	900.00	Loan from government		$2,000.00
Building	700.00	Total Liabilities		$2,000.00
Equipment & Furniture	400.00	Net Worth		
		Own Money	$300.00	
		Present Net Worth		300.00
Total Assets	$2,300.00	Total Liabilities & Net Worth		$2,300.00

a. Steps in Recording in the Journal

Step 1: Record the date of the entry in the date column.

Journal — Page 1

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT
19—				
Dec. 31				

Step 2: Record the assets as debits. The name of the asset is written in the description column. The dollar amount of the asset is written in the debit column.

Journal Page 1

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT
19—				
Dec. 31	Cash		300 00	
Dec. 31	Land		900 00	
Dec. 31	Building		700 00	
Dec. 31	Equipment &			
	Furniture		400 00	

Step 3: Record the liabilities and the owner's worth as credits.

Dec.	31	Loan from government			$ 2000 00
Dec.	31	Own Money			300 00

The arrangement of the opening entries in the Journal is as follows:

19	—				
Dec.	31	Cash		300 00	
Dec.	31	Land		900 00	
Dec.	31	Building		700 00	
Dec.	31	Equipment and			
		Furniture		400 00	
Dec.	31	Loan from government			2000 00
Dec.	31	Own Money			300 00

b. Need for Accounts

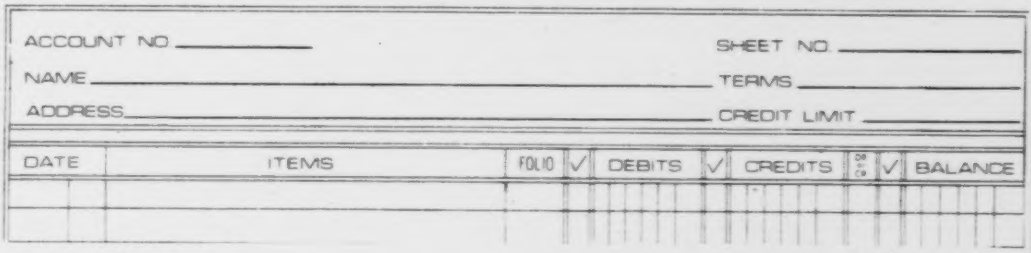
The Journal records transactions as they occur, but it does not bring together in one place all the information about each item.

For this reason the transactions in the Journal are sorted into forms known as ACCOUNTS. An account is a summary of the transactions that occurred to each type of item. It contains information about that item only.

By looking at an account you are able to tell what transactions occurred and what amount is either owned or owed.

c. Form of the Account

There are many different forms of accounts but a common one which you will be using in the course is shown below:



ACCOUNT NO. ______ SHEET NO. ______

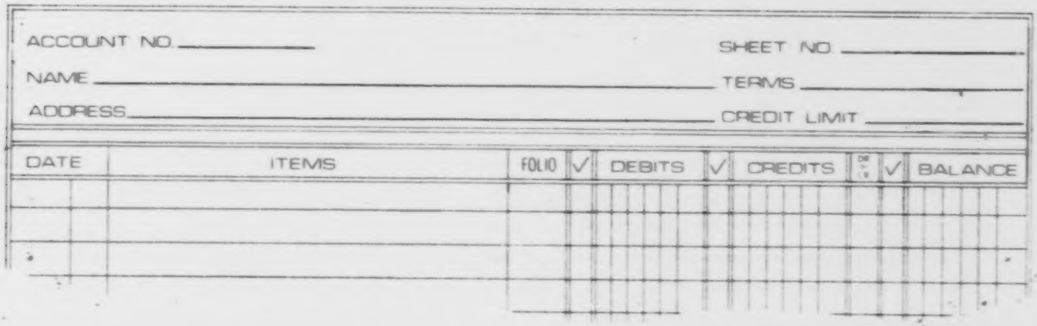
NAME ______ TERMS ______

ADDRESS ______ CREDIT LIMIT ______

DATE	ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE

Accounts are kept in a book called a General Ledger.

8. On the flip chart or overhead projector draw the account form.



ACCOUNT NO. ______ SHEET NO. ______

NAME ______ TERMS ______

ADDRESS ______ CREDIT LIMIT ______

DATE	ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE

NOTE: Use this form to illustrate the steps in posting the General Ledger accounts.

9. At this point show the students a General Ledger book. (As there are various types of General Ledger books it would be advisable to show at least two types the student could purchase at a stationery store.) Explain that the General Ledger is used to sort the information in the Journal into accounts concerned with specific assets, liabilities, revenues, expenses or net worth. For example

the Journal information illustrated in the Readings is posted to six General Ledger accounts (cash, land, buildings, equipment and furniture, loans from government and own money.) In each of these accounts, only the part of the Journal entry that affects that account is posted. Using the General Ledger, the businessman is able to determine the balance of any one account, what transactions affected that account, and when these transactions occurred. Each General Ledger account gives information about a particular amount while the Journal gives information about all accounts.

10. Read Section 3 of the Readings. Hand out Ledger sheets so students can copy entries.

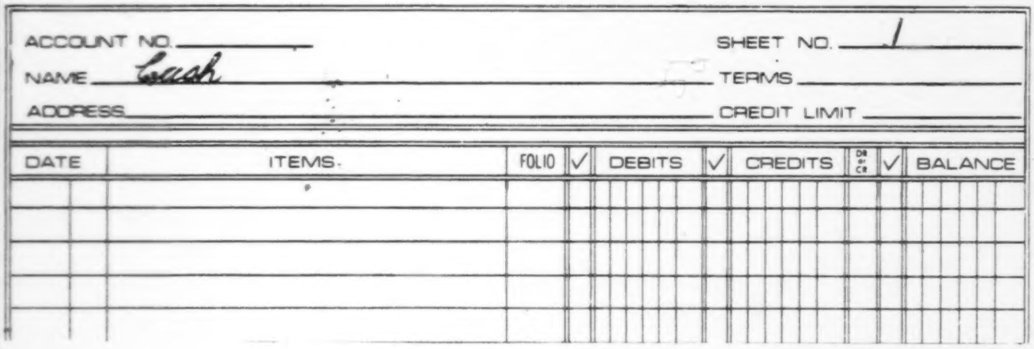
3. Posting an Account

Transferring Journal entries to the Ledger is called POSTING.

Step 1: Open Journal to page on which opening entry is recorded.

Step 2: Open General Ledger to first page. Indicate page number in upper right-hand corner.

Step 3: Write account title on first line of Ledger.

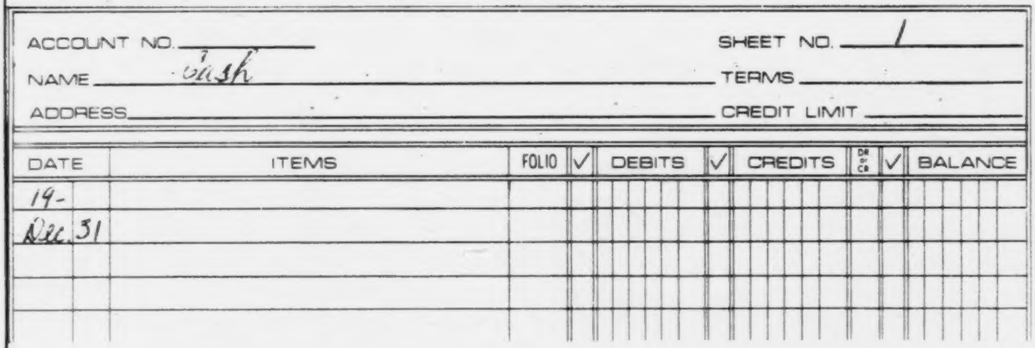


ACCOUNT NO. ________ SHEET NO. 1
NAME Cash TERMS ________
ADDRESS ________ CREDIT LIMIT ________

DATE	ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE

Step 4: Write date of Journal entry into date column of the account.

FAB4



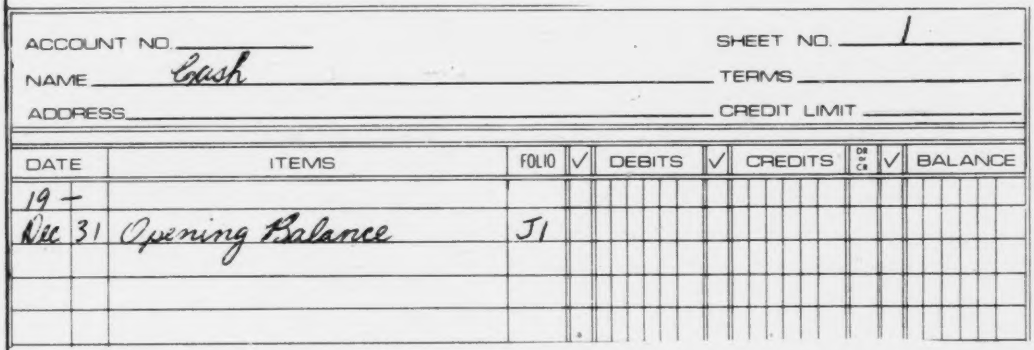
ACCOUNT NO.
NAME Cash
ADDRESS

SHEET NO. 1
TERMS
CREDIT LIMIT

DATE	ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19-									
Dec. 31									

Step 5: Write in the 'description' column of the account any special information that may be of value to anyone who later examines this account.

Step 6: Write in the 'post ref.' column of the account the number of the page of the Journal from which the entry comes.

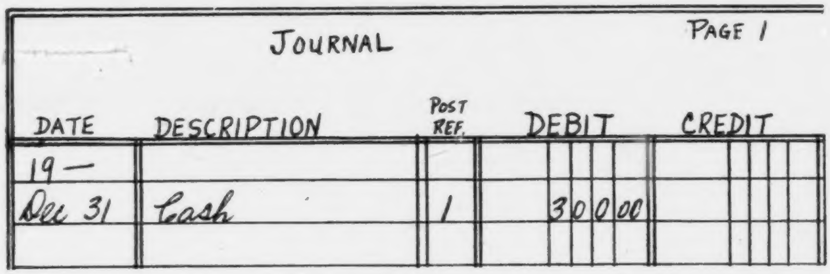


ACCOUNT NO.
NAME Cash
ADDRESS

SHEET NO. 1
TERMS
CREDIT LIMIT

DATE	ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19 —									
Dec 31	Opening Balance	J1							

Step 7: Return to Journal and write in the 'post ref.' column the page number of the account to which item is transferred.

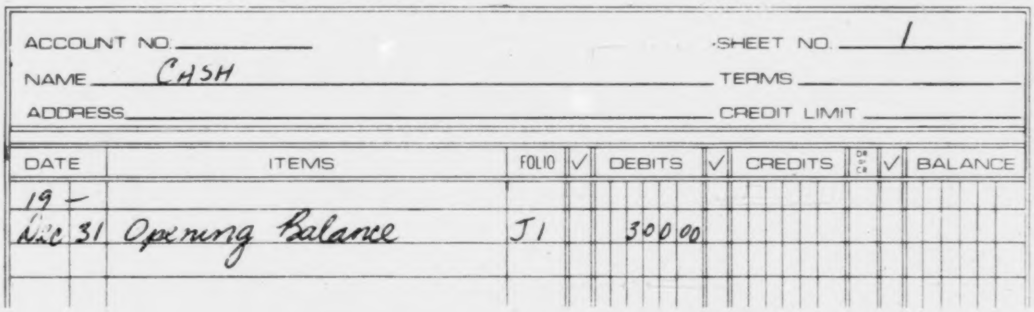


JOURNAL

PAGE 1

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT
19 —				
Dec 31	Cash	1	300 00	

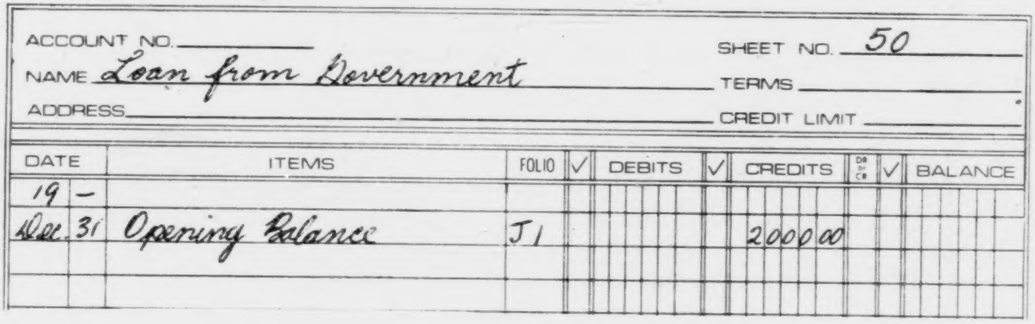
Step 8: Transfer the $ amount of the transaction from Journal to the account. If the Journal entry is a debit entry, enter the $ amount in the debit column of the account.



ACCOUNT NO.
NAME CASH
ADDRESS
SHEET NO. 1
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
Dec	31	Opening Balance	J1		300 00					

If the Journal entry is a credit entry enter it in the credit column of the account in the General Ledger.



ACCOUNT NO.
NAME Loan from Government
ADDRESS
SHEET NO. 50
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
Dec	31	Opening Balance	J1				2000 00			

Step 9: The difference between the debits and credits in an account is called balance.
Debits are added to debits.
Credits are added to credits.

Debits are subtracted from credits.
If the balance is a debit, 'dr.' is marked in the column dr. or cr.

If the balance is a credit, 'cr.' is marked in the column dr. or cr.

ACCOUNT NO. SHEET NO. 1
NAME Cash TERMS
ADDRESS CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR/CR	✓	BALANCE
19 –										
Dec	31	Opening Balance	J1		300 00			DR		300 00

ACCOUNT NO. SHEET NO. 50
NAME Loan from Government TERMS
ADDRESS CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR/CR	✓	BALANCE
19 –										
Dec	31	Opening Balance	J1				2000 00	CR		2000 00

11. Read Section 4 of the Readings. Illustrate each of the steps they should follow in checking the posting operations.

4. Checking the Posting of the Journal to the General Ledger

The fundamental equation of bookkeeping is:

Assets = Liabilities + Net Worth.

Since assets are debits, and liabilities and net worth are both credits, it can be seen that the debits must equal the credits.

To see if the Journal entries were correctly posted to the General Ledger accounts you do the following:

Step 1: Add all the debit balances.

Step 2: Add all the credit balances.

Step 3: Compare the total of the debit balances to see if it equals the total of the credit balances. If these totals are equal the entries have been posted correctly. If these totals are not equal a mistake in addition and/or posting has been made.

Below are the General Ledger Accounts that Joe Mathew posted from his Journal.

ACCOUNT NO.
NAME Cash
ADDRESS
SHEET NO. 1
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19 —										
Dec	31	Opening Balance	J1		300 00			DR		300 00

ACCOUNT NO.
NAME Land
ADDRESS
SHEET NO. 10
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19 —										
Dec	31	Opening Balance	J1		900 00			DR		900 00

ACCOUNT NO.
NAME Building
ADDRESS
SHEET NO. 20
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19 —										
Dec	31	Opening Balance	J1		700 00			DR		700 00

ACCOUNT NO.
NAME Equipment and Furniture
ADDRESS
SHEET NO. 30
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
Dec	31	Opening Balance	J1		400 00			DR		400 00

ACCOUNT NO.
NAME Own Money
ADDRESS
SHEET NO. 60
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
Dec	31	Opening Balance	J1				300 00	CR		300 00

ACCOUNT NO.
NAME Loan from Government
ADDRESS
SHEET NO. 50
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
Dec	31	Opening Balance	J1				2000.00	CR		2000 00

Total debit balances	$2,300.00
Total credit balances	2,300.00
Difference	-0-

Therefore total debits equal total credits and the Journal entries have been correctly posted to the General Ledger accounts.

12. Discuss the importance of checking Journal and account entries.

13. Read Section 5 of the Readings and discuss.

> 5. Summary
>
> The JOURNAL contains a record of all the transactions of the business.
>
> An ACCOUNT is a record of all the transactions relating to a particular asset or liability or to the net worth.
>
> DEBIT refers to the left-hand dollar column.
>
> CREDIT refers to the right-hand dollar column.
>
> The GENERAL LEDGER contains a record of all of the accounts of the business.
>
> The total of the debit balances is equal to the total of the credit balances of the General Ledger accounts.

Indicator

14. Instruct the students to use the information on the Balance Sheet they prepared for case FAB3-1 to open the books for the Middle Rapids Trading and General Store. Then tell them to use these Journal entries to post to the Ledger accounts.

JOURNAL PAGE 1

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT
19—				
July 5	Cash	1	1650 00	
July 5	Land	10	300 00	
July 5	Building	12	1500 00	
July 5	Equipment & Fixtures	14	1250 00	
July 5	Truck	15	850 00	
July 5	Loan- government	30		4800 00
July 5	Own money	35		750 00
	[Opening Balance]			

FAB4

CASH PAGE 1

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE	DR/CR
19 —						
July 5	Opening balance	J1	1650 00		1650 00	DR

LAND PAGE 10

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE	DR/CR
19 —						
July 5	Opening balance	J1	300 00		300 00	DR

EQUIPMENT AND FIXTURES PAGE 14

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE	DR/CR
19 —						
July 5	Opening Balance	J1	1250 00		1250 00	DR

BUILDING PAGE 12

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE	DR/CR
19 —						
July 5	Opening Balance	J1	1500 00		1500 00	DR

FAB4

LOAN GOVERNMENT PAGE 30

DATE	DESCRIPTION	POST REF	DEBIT	CREDIT	BALANCE	DR/CR
19 —						
JULY 5	Opening Balance	J1		4800 00	4800 00	CR

TRUCK PAGE 15

DATE	DESCRIPTION	POST REF	DEBIT	CREDIT	BALANCE	DR/CR
19 —						
July 5	Opening balance	J1	850 00		850 00	DR

OWN MONEY - B. DURAN PAGE 35

DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT	BALANCE	DR/CR
19 —						
July 5	Opening balance	J1		750 00	750 00	CR

Total debit balances	$5,550.00
Total credit balances	$5,550.00

SUBJECT OFFICE PROCEDURES

LESSON OP1 INTRODUCTION TO OFFICE PROCEDURES

INSTRUCTOR'S GUIDE

OVERVIEW

The goal of the Office Procedures subject area is to introduce the student to some of the housekeeping jobs involved in business. The majority of books written on small business management do not mention the clerical-type jobs a manager of any small business is expected to do and, in fact, must do. Most small businesses will not have enough staff to assign one specific person to the job of supplying managers and owners with up-to-date, accurate information on which to base their decisions, and to look after the routine jobs of filing and duplicating information reports, statements, etc.; therefore, the potential small business manager should be able to perform basic office procedures.

OBJECTIVE

The student will discuss what jobs are involved in office procedures and why these jobs are necessary for the function of a business.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Brown, Stanley M. and Doris, Lillian. Business Executive's Handbook, 4th ed. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1953, Section 14.

2. Newman, Dorothy M., et al. Canadian Business Handbook, 2nd ed. Toronto: McGraw-Hill Company of Canada Ltd., 1967, chs. 14, 16.

RESOURCES REQUIRED

1. Flip chart

METHODOLOGY

1. Hand out Readings.

2. Read the Purpose and Introduction with the group.

PURPOSE

In this lesson you will see the many jobs that must be done in an office.

INTRODUCTION

To some extent, every person does office work. When you pay bills, write letters, or put documents away for future reference, you are doing work similar to that done in an office. Such work may be done in the kitchen, the living room, or in the office at work.

Office work is the recording, classifying, sorting, and storing of information. In order to do this work the best way possible you should set up plans so these things are done in the same manner over a long period of time.

3. Discuss and clarify the Purpose and Introduction.

OBJECTIVE: THE STUDENT WILL DISCUSS WHAT JOBS ARE INVOLVED IN OFFICE PROCEDURES AND WHY THESE JOBS ARE NECESSARY FOR THE FUNCTIONING OF A BUSINESS.

Stimulus

4. Ask the students what jobs they think are involved in office work.

5. Have one of the students write the jobs on a flip chart.

Clarify Problem

6. Ask the students what they think is the reason for doing office work.

7. Since you may get a number of different answers as to the reason for doing office work, have one of the students list the various reasons on the flip chart.

8. Referring to the reasons just listed, ask the students to clarify each reason.

9. Refer back to the jobs involved in office work (point 5 above). Ask students to evaluate the jobs they had listed to see if these jobs correspond to the reasons just stated for doing office work.

Provide Information

10. Read Section 1 of the Readings with the group and discuss.

CONTENT

1. What is Office Work?

Most people would say that office work is simply the paper work of a business. It is writing letters, filing forms, issuing cheques, recording sales, answering the telephone, preparing charts and reports, and doing similar jobs. Office work by itself does not earn money; but without doing the office jobs the businessman would have difficulty running his business properly.

Office procedures involve the ways used to file letters, bills, invoices and receipts as well as doing other paper work of the business. It involves learning how to use business machines to speed up paper work and/or duplicate important documents. It involves learning how to handle incoming and outgoing mail. And finally it involves how to order and keep track of office supplies.

As you can see office jobs are the many little jobs that must be done so that you, the businessman, will have the necessary information when you need it to make decisions. Office procedures are not big jobs but they are important jobs.

11. Clarify Readings. Refer to the jobs the students have listed on the flip chart (point 5 above).

12. Read Section 2 of the Readings with the group.

2. What is Covered in Office Procedures?

Office Procedures will cover the following:

OP1: Introduction to Office Procedures
The many jobs that must be done in an office.

OP2: Filing

- a. Why you should file important papers and correspondence.
- b. Systems you can use to file important papers and correspondence.

OP3: Handling Mail
Procedures to follow in handling your mail.

OP4: Office Machines
Machines you are likely to use in business and how to operate them.

OP5: Duplicating

- a. Why you should duplicate business documents.
- b. How you can duplicate these documents.

OP6: Office Supplies

- a. Commonly used office supplies and where you can get them.
- b. How you can keep track of your office supplies.

OP7: How can Office Procedures Help Your Business?
Are office procedures useful to a business?

The other areas mentioned in the description of office procedures are covered in various other subject areas of this course. For example, issuing cheques and recording sales are covered in the FAB subject area; writing letters, answering the telephone, and preparing reports are covered in the Business Communications subject area.

Remember, good office procedures can help the businessman by ensuring that information may be obtained easily when needed.

13. Discuss each lesson to be taken. Remember to relate office procedures to the other subjects in the course.

Relationships to Other Subjects

Filing: Filing involves putting in some logical order all original documents which have been used to prepare the books. If a mistake has been made in the books then reference can be made back to the original document.

Handling Mail: Orders, payments and merchandise are often sent by mail. Handling mail ties in with purchasing, accounts receivable, accounts payable and marketing. Important correspondence with clients, suppliers, and creditors takes place through the mails.

Office Machines and Duplicating Machines: These lessons explain how to operate various machines the student might use in a business. Various maintenance procedures, to help ensure that machines remain in proper working condition, are also discussed.

Office Supplies: This lesson considers various office supplies that are commonly used and suggests where these supplies may be obtained.

How Office Procedures Help Your Business: This lesson ties in directly with the Management Process lessons. The functions of planning, organizing, directing and controlling are essential to office management.

Indicator

14. Discuss whether or not the jobs of office management are important to a businessman.

15. Read Section 3 of the Readings.

3. Summary

In this lesson you were introduced to the many small but essential jobs that must be done in an office. You were also given an outline of the Office Procedures lessons.

SUBJECT OFFICE PROCEDURES

LESSON OP2 FILING

INSTRUCTOR'S GUIDE

OVERVIEW

As stated in the Overview to OP1, the purpose of office procedures is to provide management with accurate and up-to-date information upon which to base its decisions. By having an efficient filing system management is able to quickly retrieve data. Accurate and up-to-date information is useless if it is placed into management's hands after the decision has already been made or should have been made.

OBJECTIVE

The student will be able to state the reasons for using a filing system.

REFERENCE MATERIAL FOR THE INSTRUCTOR

1. Aspley, John Cameron, ed. Office Administration Handbook. Chicago: Dartnell Corp., 1967, ch. 41.

RESOURCES REQUIRED

1. File folders and dividers
2. File cabinet
3. Various documents which can be used to practise filing
4. Exercise OP2-1.

METHODOLOGY

1. Hand out Readings.
2. Have one of the students read aloud the Purpose and Introduction.

PURPOSE

Filing is the process of keeping business papers in a properly sorted and easy to-get-at arrangement.

The purpose of this lesson is to outline the various types of vertical filing systems in common use.

INTRODUCTION

How many times have you needed an important letter but could not find it?

How many times have you put a receipt away in a safe place then could not remember where you had put it?

How many times have you thrown out a paper before discovering -- too late -- that you needed it?

These are some of the problems you face everyday. In business, problems such as those mentioned above could affect the operations of your business. A filing system set up and properly used can help you overcome these problems.

3. Discuss and clarify Purpose and Introduction.

OBJECTIVE: THE STUDENT WILL BE ABLE TO STATE THE REASONS FOR USING A FILING SYSTEM.

Stimulus

4. Ask the students what filing is, and when it is used in business. List their answers on the flip chart.

Clarify Problem

5. Have the students give examples of different methods of filing.

Provide Information

6. Read Section 1 of Readings.

CONTENT

1. What Filing Involves

Filing is the task of keeping business papers in a properly sorted and easy-to-get-at arrangement.

Before setting up a filing system for your business it is wise to look at some of the work involved in filing.

The first job is to analyze each document (letter, memo, report, invoice, receipt, etc.) which is used in the business. You must decide which ones you should keep. If you kept every piece of paper-work received by the business your files would become too large to handle.

After deciding which documents you should keep you must file them according to the filing system you have decided to use. There are five (5) standard filing systems you can choose from.

These systems are:

a. Alphabetical Filing
b. Numerical Filing
c. Geographical Filing
d. Subject Filing
e. Chronological Filing

Each filing system is illustrated and fully described later in this lesson.

After classifying the document you must place it in the file. The steps for vertical filing are outlined later in the lesson.

7. Read Section 2 of the Readings.

2. Alphabetical Filing System

Alphabetical Filing is the method of filing documents by firm name or surname in alphabetical order.

Description of Alphabetical Filing System

a. Guide tabs with the letter of the alphabet are arranged in alphabetical order in the file drawer.

b. Folders are labelled according to firm name or surname and filed in alphabetical order behind the respective guide tab. The document is put into the folder with the label of the firm or surname appearing on the document.

8. Hand out manilla file folders and assorted documents to each student. The documents, which should be prepared before the lesson, can be a random selection of the types that a businessman might use.

9. Read through each system of filing in the Readings, Sections 3, 4, 5 and 6. After reading each system have the students file the documents given them using that system.

3. Numerical Filing System

In numerical filing, file folders are filed by number instead of name. Each correspondent is known by a number.

An alphabetical index card, 3" x 5", is made out for each correspondent. The card contains the name, address and file folder number. The index cards are filed in alphabetical order in a card cabinet.

Description of Numerical Filing System

a. Dividers are numbered by tens (10, 20, 30, 40, etc.)

b. Each file folder is labelled with a number. Each correspondent is given an individual file folder and an index card is made out for each folder.

c. File folders are arranged in strictly numerical order behind the dividers.

d. To find or file information, the correspondent's card must be found in the card index file. The file folder is then located by number.

4. Geographical Filing System

In geographical filing, folders are filed according to location - city, town, territory, etc. Salesmen are arranged in alphabetical order within area dividers. Areas are in turn arranged in alphabetical order. Both location and name of correspondent must be known to find or file in the geographical filing system.

Description of Geographical Filing System

a. Centre divider is labelled with the name of area.

b. Dividers are arranged in two rows in centre of drawer and arranged in alphabetical order.

c. File folders are labelled according to location and filed alphabetically by location. The name of the firm or correspondent is typed under the location.

d. Individual folders are given to regular correspondents.

e. A miscellaneous file folder is often used. This folder is placed behind all the other folders in each area division.

5. Subject Filing System

Subject filing is similar to alphabetical filing but letters and papers are filed according to subject rather than the correspondent's name.

Description of Subject Filing System

a. Dividers labelled with the letters of the alphabet are arranged in alphabetical order in the drawer.

b. File folders are labelled according to subject and filed alphabetically behind the proper divider.

c. Miscellaneous file folders are placed behind all the other folders in each subdivision.

6. Chronological Filing System

Chronological filing is the method of filing documents by the time-order or according to the date they must be acted upon.

Description of Chronological Filing System

a. Dividers are labelled by month.

b. Each file folder is labelled with a date. All correspondence received on that date is filed in that folder. You also file correspondence, etc., which must be acted upon in the future in the file folder of the date action must be taken.

c. An alphabetical card index is set up so that you can find information about specific correspondence and documents.

10. Read Section 7 and illustrate each step.

7. Steps for Vertical Filing

The vertical method of filing is the method commonly used. Below are the steps for using vertical filing.

Step 1: Papers are placed in file folders, the left side of the paper fitting into the bottom of the folder.

Step 2: Papers are arranged in order of date with the latest date on the top or in front.

Step 3: File folders are labelled according to firm name or correspondent's name.

Step 4: File folders are placed upright in the file drawer so that the fold is at the bottom. The file folders are placed in the order of the filing system you are using, i.e., Alphabetical, Numerical, Geographical, Subject or Chronological.

11. Read Section 8 and 9 of the Readings. Illustrate each point after readings.

8. Tips for Filing

a. Out Guides

Out guides are used to keep a record of each paper or folder leaving the file and to whom it has gone.

This out guide is the same size as the regular guide and is printed in red. When a folder is taken out of the filing cabinet, an out guide is inserted in its place with the date, name of folder and name of person taking it. When the folder is returned, the out guide is removed and kept in front or at the back of the filing cabinet until it is needed again.

b. Cross Reference

It is necessary to cross reference in filing as there are always papers which could be filed in two or more places under different names or subjects.

In cross referencing, a cross reference sheet or cross reference card index is used.

Examples of names which require use of cross reference index cards are:

(1) Names of married women. File by husband's name; cross reference under her own name.

card subject - Green, William, J. (Mrs.) (Carol)
cross reference card - Green, Carol (Mrs.)
See: Green, William, J. (Mrs.) (Carol)

card subject - Simmons, Arnold (Mrs.) (Mary)
cross reference card - Simmons, Mary (Mrs.)
See: Simmons, Arnold (Mrs.) (Mary)

(2) Combined subject or business names. File by given name; cross reference under other possible names.

card subject - Brown-Jones Company
cross reference card - Jones, Brown Company
See: Brown-Jones Company

card subject - Bank Reconciliation Statement
cross reference card - Statement, Bank Reconciliation
See: Bank Reconciliation Statement
cross reference card - Reconciliation Statement, Bank
See: Bank Reconciliation Statement

These cross reference cards are kept in a regular card index file cabinet if one is being used. If there is no card index file, these cross reference index cards are arranged in alphabetical order and kept separately. When difficulty in finding a desired paper arises, refer to these cross reference cards to assist you in locating the desired folder in which the particular paper may be filed.

c. Miscellaneous File Folders
Papers on various subjects which do not fit into any labelled files may be kept in a miscellaneous file folder. When approximately 10 papers about one given subject or from one certain correspondent are collected, a separate file folder should be made out for that subject or correspondent.

d. File Guide
In filing systems which do not have a card index, file guides can be drawn up. A file guide is a record of the file folders contained in the filing cabinet. To make up a file guide, type on a plain sheet of paper the number or letter of the dividers; list each file folder in that subdivision by name and number in the sequence in which it is filed.

9. Sequence Tips for Filing

All five standard filing systems are governed by the alphabet. File folders are either filed alphabetically or numerically. When folders are filed by number, a card index is used and these index cards are filed alphabetically.

Folders are arranged in the dictionary order by surname, first word of firm name, or first word of subject name. When surnames are the same, arrange the file folders in order of initials or given names. The same principle applies to firm names or subject names; that is, refer to the second name of the firm or subject when first names are the same. The following are alphabetical rules used in filing.

a. File initial before christian names having the same first letter.
For example: Brown, J.
Brown, Jane
Brown, Janet
Brown, Jim
Brown, John

b. When the first name is composed of letters, file behind guide according to the first initial of the firm.
For example: A & B Plumbing
- File immediately behind guide A

c. Disregard the hyphen in compound names
For example: Du-pont
- File as if spelled without a hyphen - Dupont

d. Names starting with numbers are filed as if written out in letters.
For example: 21 Club
- Filed as if spelled Twenty-one Club

e. Disregard apostrophe s
For example: Bell's Hat Shop
- File as if spelled Bell Hat Shop

f. Omit such unimportant words as "The"
For example: The Ford Car Co.
- File as Ford Car Co.

g. Surnames commencing with Mc and Mac are filed as spelled; therefore, Mac is filed before Mc
For example: MacAuley, John
MacDonald, William
MacFarlane, Henry
McBeth, George
McCarthy, James

h. When person is known by both title and one name, the title is considered as the surname.
For example: Chief Daniel
Father Mathew
Sister Mary

Indicator

12. Have one or more of the students briefly summarize the main points in the lesson. For example:
    - the need for filing
    - main systems of filing

13. Have the students use material in Exercise OP2-1, "The Filing Exercise" as a basis for a filing exercise. Ask students to file the material in as many ways as possible. Then have them set up a cross reference.

14. Read Section 10 of the Readings.

10. Summary

The filing systems you have just read about are the standard filing systems used. These filing systems are flexible and can be combined or simplified according to your needs.

SUBJECT OFFICE PROCEDURES

LESSON OP2 FILING

EXERCISE OP2 - 1

THE FILING EXERCISE

Alphabetical	Numerical	Chronological
Bill Duran Middle Rapids, Sask.	126	June 9, 1968
Joe Mathew Lone Pine, Alberta	27	May 4, 1932
Ed Blackstone Spruce Landing, B.C.	3.45	July 10, 1972
Manny Moon Green River, Sask.	78.9	August 6, 1971
M. C. Johns Parkland, Man.	9.99	January 1, 1964
Wm. J. Jacks Jansen Narrows, Sask.	13	December 24, 1964
Steve Marleau Willow Narrows, B.C.	716	September 6, 1965
John La Pointe Brock Rapids, Yukon	76.7	April 16, 1971
L.J. Quaker Beaver Glen, N.W.T.	84	February 12, 1965
Fred Smith Millers Hill, Man.	7.16	March 6, 1971

OP2

B. Johnson Sanderson Landing, Sask.	91	June 2, 1965
Mary Doe Ft. Kelly, Yukon	432	October 1, 1970
Mark Tees Muskrat Creek, B.C.	314	November 13, 1970
S.T. Smart Poplar Point, N.W.T.	77	December 30, 1963
Blain Wolfe Eagle Canyon, Alberta	4.2	January 1, 1970
H. Broadhead Red Berry, Sask.	116	February 4, 1971
Marion P. Hunter Moose Horn, B.C.	.01	June 9, 1969
George Lee Little River, N.W.T.	29	September 21, 1971
A.S. Stonehouse Red Squirrel, Yukon	57	October 6, 1968
J.K. Spearhead Knotty Pine, Sask.	6.1	December 15, 1966

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB5 RECORDING BUSINESS TRANSACTIONS

INSTRUCTOR'S GUIDE

OVERVIEW

Business transactions are exchanges of values which cause changes in the assets, liabilities, net worth, expenses or income accounts. These changes are either increases or decreases. Every debit amount must be balanced by an equal credit amount. If the total of the amounts on the debit side of an account is greater than the total on the credit side, the account has a debit balance. If the total of the amounts on the credit side is greater than the total on the debit side, the account has a credit balance.

Asset and expense accounts normally have debit balances while liability, net worth and income accounts normally have credit balances.

The following summary will help you to determine when to debit and when to credit:

When to Debit and When to Credit

DEBIT	CREDIT
Increases in Assets	Decreases in Assets
Decreases in Liabilities	Increases in Liabilities
Decreases in Net Worth	Increases in Net Worth
Increases in Expenses	Decreases in Expenses
Decreases in Income	Increases in Income

Steps in Analyzing a Transaction

1. What accounts are affected?
2. Are the accounts Assets, Liabilities, Net Worth, Expenses or Income?
3. Are the accounts increased or decreased?
4. What accounts are affected?

FAB5

OBJECTIVE

Given the facts and figures for a business transaction, the students will record the information into the Journal and then post the entries to the proper Ledger accounts.

RESOURCES REQUIRED

1. Case FAB5-1, "Bill Duran Gets a Loan".

METHODOLOGY

1. Hand out the Readings.
2. Read the Purpose and Introduction.

PURPOSE

In this lesson you will learn what business transactions are and how they are entered into your bookkeeping records.

INTRODUCTION

A business is constantly buying or selling merchandise and/or services, paying back loans, buying new equipment, paying its power bills, and generally paying out or receiving money.

You as a businessman must keep track of all the money dealings of your business -- that is the reason you set up a bookkeeping system in the first place. The amounts of assets you own and liabilities you owe are constantly changing. You must record these changes as they take place so that at all times you know the financial position of your business.

By recording the entries into your Journal and your Ledger you can keep track of the changes as they occur. In the lesson FAB4, "Starting the Bookkeeping system", you were shown how to record the starting balances into your General Ledger. In this lesson you will see how to record changes in these accounts that will occur because of your day-to-day business activities.

OBJECTIVE: GIVEN THE FACTS AND FIGURES FOR A BUSINESS TRANSACTION, THE STUDENTS WILL RECORD THE INFORMATION INTO THE JOURNAL AND THEN POST THE ENTRIES TO THE PROPER LEDGER ACCOUNTS.

Stimulus

3. Hand out case FAB5-1, "Bill Duran Gets a Loan".
4. Read the case.
5. Discuss the questions at the end of the case.

Clarify Problem

6. Ask students to define in their own words what a business transaction is.
7. Read Sections 1 and 2 of the Readings.

CONTENT

1. What is a Business Transaction?

Business transactions all require that money be exchanged for a good or service.

These are all "Business Transactions":

a. You sell a product in return for cash.

b. In return for a loan from the bank, credit union, or some other lending agency you sign a promissory note.

c. You pay out money in return for an employee's work.

d. You pay out money to get more merchandise.

NOTE: Although, we are not dealing with "credit" right now, the principal is the same. In return for products or services, your customer promises to pay you sometime in the future. Likewise you yourself receive products and services on the understanding that you will pay later. The idea of "credit" is discussed later in the course (FAB15 and FAB16).

BUSINESS TRANSACTIONS ARE EXCHANGES OF VALUES WHICH CAUSE CHANGES IN THE ASSETS, LIABILITIES OR NET WORTH OF A BUSINESS.

2. The Effect of Transactions

As a result of business transactions, the values of the assets, liabilities, and the net worth of any business are continually changing. These changes are first recorded in the Journal and then transferred, sorted, and summarized in the Ledger. Each entry which records a transaction in the Journal is known as a Journal Entry.

Transactions may either increase or decrease account balances. Through study of a number of transactions completed by Joe Mathew we shall see first how to record increases in account balances and later how to record decreases.

No matter what transaction is recorded, the fundamental equation (Assets = Liabilities + Net Worth) must remain in balance. For every amount that is debited, an equal amount must be credited to some other account or accounts.

8. Ask students how Journal entries would keep track of all the transactions that occur in any business. Discuss. One point they should keep in mind is that they should be able to determine how much the business is worth at any point of time.

9. Summarize discussion to date. One of the over-all problems of the accounting system is recording financial transactions so that General Ledger accounts can be drawn up.

Provide Information

10. Using the next four sections (Sections 3, 4, 5, and 6) of the Readings as a basis for illustration and discussion, show students the effect on the books of:

    a. An asset increase balanced by an asset decrease.
    b. An asset increase balanced by a liability increase.
    c. An asset increase balanced by an owner's worth increase.
    d. A liability decrease balanced by an asset decrease.
    e. An owner's worth decrease balanced by an asset decrease.

    NOTE: Illustrate each Journal and Ledger account entry using the flip chart or overhead projector.

3. Opening Entries

In lesson FAB4 you learned how to record the figures for the opening Balance Sheet of the business. You recorded the dollars and cents figures into the Journal, then posted these Journal entries to the proper accounts in the General Ledger.

Joe Mathew's Journal, after he had made the opening entries, looked like this:

Journal page 1

Date		Description	Post Ref.	Debit	Credit
19	—				
Dec	31	Cash		$ 300 00	$
Dec	31	Land		900 00	
Dec	31	Building		700 00	
Dec	31	Equipment & Furniture		400 00	
Dec	31	Loan from Government			$ 2000 00
Dec	31	Own Money			300 00
		[To Record Balance			
		Sheet as of December 31]			

4. Journal Entries

The Journal is the "day book" or the "book of original entry". Every transaction occurring in the business must first be recorded in the Journal. You then have a record of "when" the transaction occurred as well as a record of which accounts were affected.

We will now see how Joe Mathew would record the following transactions that occurred on January 2:

a. Joe paid $65.00 cash for a new set of scales.

b. Joe paid $100.00 on his Government Loan.

c. Joe decided to invest $500.00 more of his own savings into the business.

d. Joe needed $25.00 so his wife could buy clothes for the kids. He took this money out of the till. He put in the till a slip of paper stating that he had withdrawn $25.00 for his own use.

e. Joe's father-in-law loaned Joe $150.00 cash so Joe could pay for a large shipment of merchandise he was expecting at the end of the week. This loan was to be repaid on March 31 of this year.

Joe recorded the transactions in the Journal as follows:

Journal Page 1

Date		Description	Post Ref.	Debit	Credit
19	—				
Dec	31	Cash	1	$ 300 00	$
Dec	31	Land	10	900 00	
Dec	31	Building	15	700 00	
Dec	31	Equipment & Furniture	20	400 00	
Dec	31	Loan from Government	30		$ 2000 00
Dec	31	Own Money	40		300 00
		[To record Balance Sheet as of December 31]			
19	—				
Jan	2	Scales	20	65 00	
Jan	2	Cash	1		65 00
		[purchase of new scales]			

Jan	2	Government Loan	30	10000	
Jan	2	Cash	1		10000
		[Loan Payment]			
Jan	2	Cash	1	50000	
Jan	2	Own Money	40		50000
		[personal investment]			
Jan	2	Own Money	40	2500	
Jan	2	Cash	1		2500
		[clothes for children]			
Jan	2	Cash	1	15000	
		Loan from father-			
		in-law			15000
		[to be repaid March 31]			

5. Analyzing the Journal Entries

When Joe entered the transactions into his Journal, how did he know what items to post to the debit column and what to post to the credit column?

We will now analyze each transaction so that we can see how Joe knew how to make the entries.

a. Transaction #1
Joe bought a new set of scales for $65.00. He paid cash for the scales.

The scale is an asset because it is something now owned by the business. Therefore the assets are increased by $65.00. An increase in assets is recorded by debiting the assets of the business. Since Joe knew that the purchase of the scale would increase the assets by $65.00, he recorded the dollar value (65) of the asset in the debit column of the Journal.

Then following the rule that for every amount that is debited, an equal amount must be credited, Joe analyzed the transaction to see which account was credited.

By paying out $65.00 cash for the scale, Joe had reduced the cash assets of the business by $65.00. A decrease in assets is always recorded by crediting the assets. Since the business now owed $65.00 less in cash than it had before Joe bought the scale, Joe recorded the $65.00 cash decrease in the credit column of the Journal.

Joe had followed the rule that for every debit there is an equal credit. The entries for this transaction were now complete since the asset increase was balanced by an asset decrease.

Jan	2	Scales	20	65 00	
Jan	2	Cash	1		65 00

b. Transaction #2
Joe paid $100.00 on his Government Loan.

To analyze this transaction Joe once again used the rule for every debit there is an equal credit.

Joe knew that the Government Loan was recorded on the Balance Sheet as a liability. He also knew that liabilities are always recorded as credits. To decrease a liability you add a debit to the credit balance. Therefore Joe recorded the loan payment in the debit column of the Journal. He now owed $100.00 less on his Government Loan.

To complete the rule Joe had to find out what account was credited with the equal amount ($100.00). By paying out $100.00 cash, Joe had decreased the asset cash by $100.00. An asset is always decreased by a credit. Therefore he recorded the $100.00 cash in the credit column of the Journal.

Joe had again correctly followed the debit/credit rule. A decrease in a liability account is balanced by a decrease in an asset account.

Jan	2	Government Loan	30	100 00	
Jan	2	Cash	1		100 00

c. Transaction #3

Joe invested an additional $500.00 of his own money into the business.

The asset cash was increased by $500.00, therefore the increase in cash was recorded in the debit column of the Journal.

Following the debit/credit rule, Joe increased the net worth section by crediting $500.00 to the account called own money. This told him that the business now owed him $500.00 more.

In this third transaction you can see that an increase in an asset was balanced by an increase in net worth.

Jan	2	Cash	1	500 00	
Jan	2	Own Money	40		500 00

d. Transaction #4

Joe withdrew $25.00 cash from the business for his own personal use. He gave the money to his wife so she could buy the children some new clothes.

The withdrawal of $25.00 cash decreased the asset cash by $25.00. Joe recorded the decrease by crediting the asset cash.

Joe also realized that, because the money was for his personal use and not for business purposes, he had decreased the amount of money the business owed to him by $25.00. He recorded this decrease in the net worth by debiting $25.00 to the account called own money.

The result of the analysis showed that a decrease in an asset was balanced by a decrease in net worth.

Jan	2	Own Money	40	25 00	
Jan	2	Cash	1		25 00

e. Transaction #5

Joe borrowed $150.00 cash from his father-in-law to make sure he had enough to pay for a shipment of merchandise due at the end of the week.

The asset cash was increased by $150.00. Joe therefore entered $150.00 in the debit column of the Journal.

Joe had increased the amount of money the business owed (an increase in liabilities) by $150.00. Joe, therefore, credited $150.00 to an account called loan from father-in-law by entering $150.00 in the credit column of the Journal.

Again the debit/credit rule was followed.

An increase in an asset is always balanced by an increase in a liability.

Jan	2	Cash	1	150 00		
Jan	2	Loan from father-				
		in-law	31		150 00	

6. General Ledger Entries

Do you remember that we said the Journal shows only:

a. when a transaction took place,
b. what accounts were involved,
c. the amount with which each account was debited or credited?

In order to get a clear picture of the business, you must find out how much each account is worth; therefore, you post the Journal entries to the proper General Ledger account. Each account in the General Ledger will show you what transactions have affected that account and how much that account is now worth.

Joe Mathew had just posted his Journal for January 2. He checked all the entries in the Journal and was satisfied that they were correct. He now was ready to post the General Ledger accounts from the Journal.

Joe Mathew's General Ledger accounts before the January 2 posting are shown below:

FAB5

ACCOUNT NO. ____ SHEET NO. 1

NAME Cash TERMS ____

ADDRESS ____ CREDIT LIMIT ____

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19 –										
Dec	31	Opening Balance	J1		300 00			Dr		300 00

ACCOUNT NO. ____ SHEET NO. 10

NAME Land TERMS ____

ADDRESS ____ CREDIT LIMIT ____

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19 –										
Dec	31	Opening Balance	J1		900 00			Dr		900 00

ACCOUNT NO. ____ SHEET NO. 15

NAME Building TERMS ____

ADDRESS ____ CREDIT LIMIT ____

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19 –										
Dec	31	Opening Balance	J1		700 00			Dr		700 00

FAB5

ACCOUNT NO. ____________ SHEET NO. 20

NAME Equipment and Furniture TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
Dec	31	Opening Balance	J1		400 00			Dr		400 00

ACCOUNT NO. ____________ SHEET NO. 30

NAME Loan - Government TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
Dec	31	Opening Balance	J1				2000 00	Cr		2000 00

ACCOUNT NO. ____________ SHEET NO. 40

NAME Own Money TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
Dec.	31	Opening Balance	J1				300 00	Cr		300 00

Joe posted the General Ledger Accounts for January 2 by transferring the information in the Journal to those Ledger accounts affected.

a. Transaction #1
Journal entry:

Jan	2	Scales	20	65 00	
Jan	2	Cash	1		65 00

The General Ledger account entries are made by turning to the accounts involved, in this case Scales (or the equipment and furniture account) and the cash account. The information about the transaction is then entered into that account. A debit entry in the Journal is posted as a debit entry in the General Ledger account. Likewise a credit entry in the Journal is posted as a credit entry in the General Ledger account. To get a new account balance in the General Ledger, debit entries are added to a debit balance and subtracted from a credit balance. Likewise, credit entries are added to a credit balance and subtracted from a debit balance. Shown below is the first transaction that appeared on Joe Mathew's General Ledger accounts.

ACCOUNT NO. ____________ SHEET NO. 20
NAME Equipment & Furniture TERMS ____________
ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
Dec	31	Opening Balance	J1		400 00			Dr		400 00
Jan	2	Purchased Scales	J1		65 00			Dr		465 00

ACCOUNT NO. ____________ SHEET NO. 1
NAME Cash TERMS ____________
ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
Dec	31	Opening Balance	J1		300 00			Dr		300 00
Jan	2	Scales	J1				65 00	Dr		235 00

From this Joe Mathew knew that he had $465.00 worth of equipment and furniture. He was also able to tell how much cash he had available ($235.00).

Using the information in the Journal, Joe would then post the second transaction to the General Ledger accounts.

b. Transactions #2
Journal entries:

Jan.	2	Government Loan	30	$ 100 00	
Jan.	2.	Cash	1		$ 100 00

Using the Journal as the source of information, Joe would open the General Ledger to the two accounts involved (government loan and cash), and post the transaction amounts involved to the proper account.

Remember, a debit entry in the Journal is posted as a debit entry in the General Ledger account. To determine a new balance, follow these rules:

(1) Add debit entries to a debit balance.
(2) Subtract debit entries from a credit balance.
(3) Add credit entries to a credit balance.
(4) Subtract credit entries from a debit balance.

The General Ledger accounts for the second transaction are posted as follows:

ACCOUNT NO. ______ SHEET NO. 30
NAME Loan - Government TERMS ______
ADDRESS ______ CREDIT LIMIT ______

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
Dec.	31	Opening Balance	J1				2000 00	Cr.		2000 00
Jan.	2	Payment	J1		100 00			Cr.		1900 00

ACCOUNT NO.

NAME Cash

ADDRESS

SHEET NO. 1

TERMS

CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
Dec.	31	Opening Balance	J1		300 00			Dr		300 00
Jan	2	Scales	J1				65 00	Dr		235 00
	2	Loan Payment	J1				100 00	Dr		135 00

Now by simply looking at the balances in the General Ledger accounts Joe was able to tell how much he still owed on his government loan ($1,900.00) and how much cash he still had ($135.00).

Now we will see if you understand the principles of posting the General Ledger accounts from the Journal. Below are the Journal entries for January 2. You will use these entries to post the General Ledger accounts for transactions 3, 4, and 5.

Jan.	2	Cash	1	$ 500 00	
Jan.	2	Own Money	40		$ 500 00
		(personal investment)			
Jan.	2	Own Money	40	25 00	
Jan.	2	Cash	1		25 00
		(clothes for children)			
Jan.	2	Cash	1	150 00	
Jan.	2	Loan from father-			
		in-law.	31		150 00
		to be repaid			
		March 31			

Now post the above Journal entries to the accounts shown on the following page.

FAB5

ACCOUNT NO. ______ SHEET NO. 1
NAME Cash TERMS ______
ADDRESS ______ CREDIT LIMIT ______

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
Dec	31	Opening Balance	J1		300 00			Dr		300 00
Jan	2	Sales	J1				65 00	Dr		235 00
	2	Loan Payment	J1				100 00	Dr		135 00

ACCOUNT NO. ______ SHEET NO. 40
NAME Own Money TERMS ______
ADDRESS ______ CREDIT LIMIT ______

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
Dec	31	Opening Balance	J1				300 00	Cr		300 00

ACCOUNT NO. ______ SHEET NO. 31
NAME Loan - Father - in - Law - Due: March 31 TERMS ______
ADDRESS ______ CREDIT LIMIT ______

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE

11. Discuss and clarify any entries the students are not clear about.

12. Read Section 7 of the Readings and discuss.

7. Summary

A business transaction involves an exchange of value which causes a change in the assets, liabilities, or net worth of a business.

This change is either an increase or decrease.

Every debit amount must be balanced by an equal credit amount.

An asset increase must be balanced by an asset decrease (a liability increase or a net worth increase).

If the total amount in the debit column of an account is greater than that in the credit column, the account has a debit balance.

If the total amounts in the credit column of an account is greater than the total in the debit column, the account has a credit balance.

Asset accounts usually have debit balances.

Below are two useful guides to follow:

a. When to Debit and When to Credit

DEBIT	Increases in Assets Decreases in Liabilities Decreases in Net Worth
CREDIT	Decreases in Assets Increases in Liabilities Increases in Net Worth

b. Steps in Analyzing a Transaction

Ask yourself these questions:

(1) What accounts are affected?
(2) Are the accounts assets, liabilities or net worth?
(3) Are the accounts increased or decreased?
(4) Turn to the accounts affected and enter the amount in the proper column. (If there are no accounts in the General Ledger for the assets, liabilities, or

net worth concerned in the transaction, set up the necessary accounts.)

Indicator

13. Have students record information from the case in the Journal. The entries must meet the criteria of recording in the Journal.

14. Have students post information from the Journal into the proper General Ledger accounts. The entries must meet the criteria of recording in the Ledger.

DATE		DESCRIPTION	POST REF.	DEBIT	CREDIT
19	—				
July	6	Freezer	14	$ 375 00	
July	6	Meat Cooler	14	415 00	
July	6	Cash Register	14	205 00	
July	6	Shelves	14	175 00	
July	6	Cash	1		1,170 00
		purchase of equipment			
July	6	Cash	1	2200 00	
July	6	Loan-Government	30		2200 00
		Additional loan for purchase of merchandise			

FAB5

ACCOUNT NO.
SHEET NO. 1
NAME Cash
TERMS
ADDRESS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
July	5	Opening Balance	J1		1650 00			Dr		1650 00
	6	Purchase Equipment	J1				1170 00	Dr		480 00
	6	Loan - Government	J1		2200 00			Dr		2680 00

ACCOUNT NO.
SHEET NO. 14
NAME Equipment and Fixtures
TERMS
ADDRESS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
July	5	Opening Balance	J1		1250 00			Dr		1250 00
	6	Freezer	J1		375 00			Dr		1625 00
	6	Meat Cooler	J1		415 00			Dr		2040 00
	6	Cash Register	J1		205 00			Dr		2245 00
	6	Shelving	J1		175 00			Dr		2420 00

ACCOUNT NO.
SHEET NO. 30
NAME Loan - Government
TERMS
ADDRESS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
July	5	Opening Balance	J1				4800 00	Cr		4800 00
	6		J1				2200 00	Cr		7000 00

FAB5

Trial Balance

	DR.	CR.
Cash	$2,680.00	
Land	300.00	
Building	1,500.00	
Equipment & Fixtures	2,420.00	
Truck	850.00	
Loan, government		$7,000.00
Investment - B. Duran		750.00
TOTAL	$7,750.00	$7,750.00

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB5 RECORDING BUSINESS TRANSACTIONS

CASE FAB5 - 1

BILL DURAN GETS A LOAN

Bill Duran had just "opened" his books. The balances in his Ledger accounts as of July 5, 19__ were:

	DR.	CR.
Cash	$1,650.00	
Land	300.00	
Building	1,500.00	
Equipment and Fixtures	1,250.00	
Truck	850.00	
Loan, government		$4,800.00
Investment, B. Duran		750.00
TOTAL	$5,550.00	$5,550.00

On July 6, Bill bought and paid cash for the following equipment:

ITEM	COST
Freezer	$375.00
Meat Cooler	415.00
Cash Register	205.00

Bill also paid Jack Remen $175.00 for installing new shelves in the store. The cost included the lumber as well as labor.

Bill had not ordered any merchandise yet. He had visited some wholesalers in the city to see what type of arrangements he could make for purchasing supplies. He had also planned what his order would contain. Bill figured that he would need at least $1,500.00 worth of supplies. After paying for the purchases of equipment and shelving, Bill would not have enough cash to get the amount of merchandise he needed. He needed additional funds.

Bill approached the government agency from which he had received the original loan to see if he could get more money. The man in charge of Bill's loan told him that a clause in the original loan had covered such a situation as the one with which Bill was faced and that Bill could borrow a maximum $7,000.00 from them. Bill had already received a loan for $4,800.00 for the purchase of the equipment, building, etc. He decided he needed the additional $2,200.00 in order to get the needed merchandise and pay the costs of operating for the first few weeks. Bill therefore took the second part of his loan.

Bill now had to enter all this financial information into his books.

Questions for Discussion

1. How would Bill enter the information into his books?
2. What is Bill's cash balance at the close of business July 6?

Instructions

1. Prepare the Journal entries that Bill Duran must make.
2. Post the Journal to the proper Ledger accounts.

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB6 RECORDING EXPENSES AND REVENUES

INSTRUCTOR'S GUIDE

OVERVIEW

The first written record of each transaction is usually prepared at the time the transaction occurs. In this lesson the student looks at the original documents to be made out for the receipt and disbursement of cash -- the sales slip and the pay-out voucher.

These documents are the sources from which the entries are made in the books of original entry. Before entering each transaction into the Journal (book of original entry), one should verify the accuracy of the calculations appearing on the face of the document.

OBJECTIVES

1. Given the facts and figures of various business transactions, the student will be able to correctly prepare the necessary original documents.

2. Given the facts and figures of various business transactions, the student will be able to correctly enter the information on the original documents into the Journal and then post these entries to the proper Ledger accounts.

RESOURCES REQUIRED

1. Projectual FAB6-1, "The Sales Slip"
2. Projectual FAB6-2, "The Pay-Out Voucher"
3. Case FAB6- 1, "Bill Duran Opens for Business"

4. Sales Books 2 for each student

METHODOLOGY

1. Hand out Readings.
2. Read the Purpose and Introduction. Discuss.

PURPOSE

The purpose of this lesson is to show you how to fill out original documents for the receipt and the payment of money. You will then be shown how to enter the information from these original documents into your bookkeeping records.

INTRODUCTION

In order to keep track of how much money you take in from each customer you serve, you must make out a Sales Slip.

In order to keep track of how much money you pay out to other people or businesses, you must make out a Pay-Out Voucher.

Both the sales slip and pay-out voucher are called Original Documents. At the end of each business day you use these original documents to post your Journal.

These original documents are very important. They enable you to determine:

1. How much money you have taken in from sales, i.e. how much Revenue was received.
2. How much you had to spend in order to get these sales, i.e. how much your Expenses were.

OBJECTIVE 1: GIVEN THE FACTS AND FIGURES OF VARIOUS BUSINESS TRANSACTIONS, THE STUDENT WILL BE ABLE TO CORRECTLY PREPARE THE NECESSARY ORIGINAL DOCUMENTS.

Stimulus

3. Hand out and read Case FAB6-1.

4. Discuss Question 1 at the end of the case.

One approach to discussion would be to ask the students if any of them have filled out sales slips. If someone has filled out a sales slip ask him what information was put down. If no one has, ask the students what information they think a sales slip should contain.

Clarify Problem

5. Using overhead projector show projectual FAB6-1.

6. Ask a student to state how this sales slip would be filled out.

Provide Information

7. Read Section 1, part a and part b, of the Readings.

CONTENT

1. The Sales Slip

   a. Purpose of the Sales Slip
   Sales slips are used so that both the customer and the store may have an accurate record of the purchase. A copy of the sales slip is made to be kept by the business, and the original is given to the customer. The customer's slip acts as a receipt in case he should want to return his purchase.

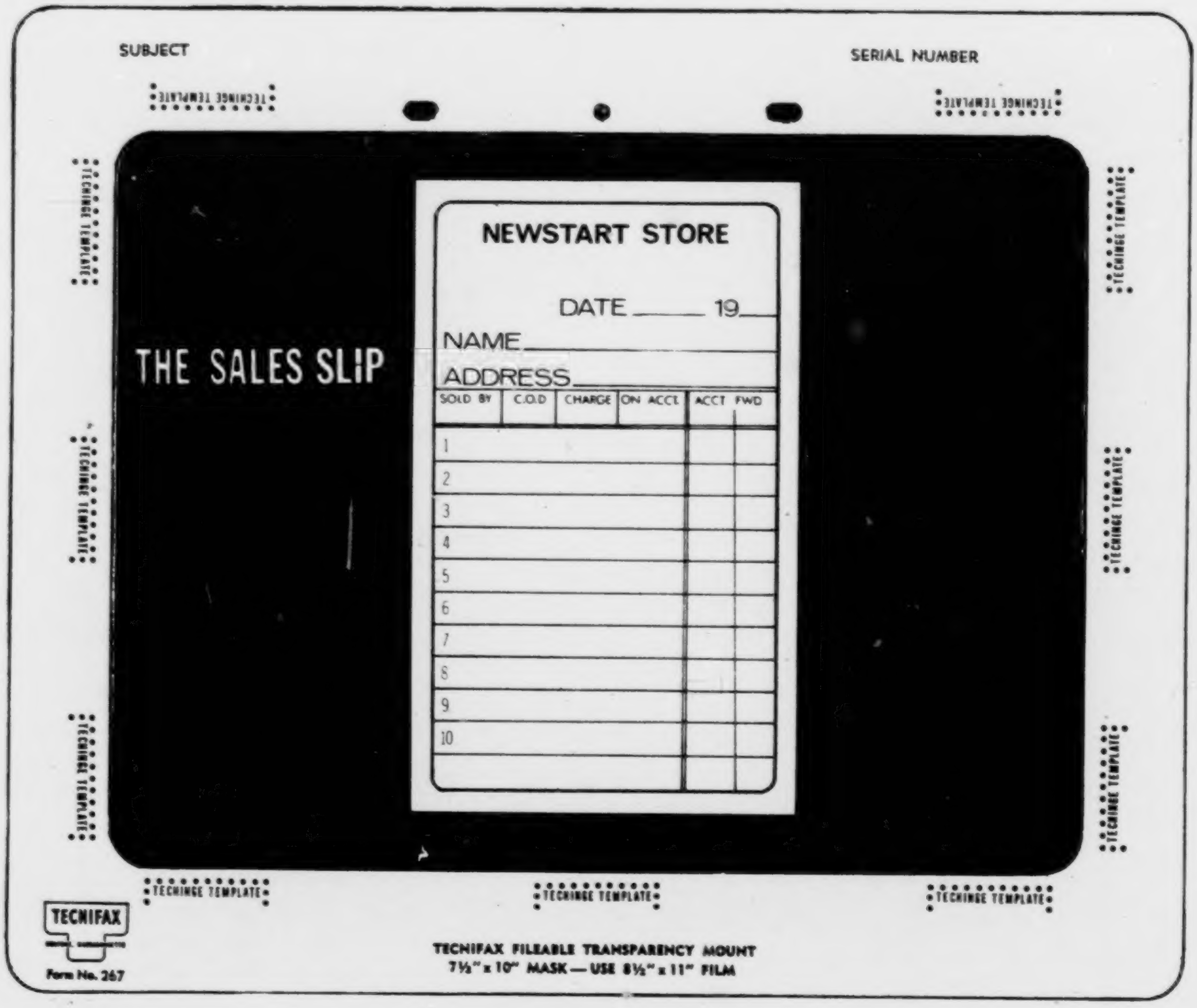
   b. Parts of the Sales Slip

      (1) The first part of the sales slip is used for:

         (a) the date of the sale. It is important to date the sale correctly since you will need a record of when a customer bought an item if he later wants to return it.

         (b) the customer's name and address.

FAB6-1 THE SALES SLIP


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
THE SALES SLIP
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

NEWSTART STORE

DATE ______ 19__

NAME ____________________

ADDRESS ____________________

SOLD BY	C.O.D	CHARGE	ON ACCT.	ACCT FWD
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

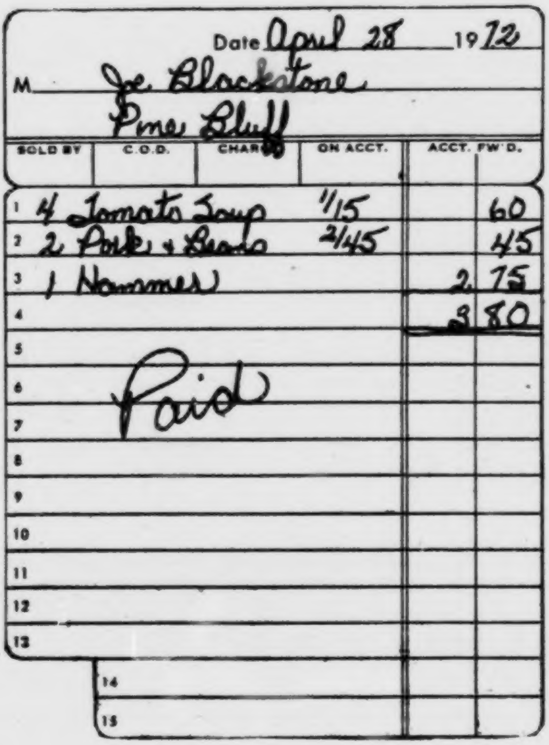
(2) The second part of the sales slip is used to record each type of item:

(a) quantity - the number of each type of item purchased

(b) description of the item - the kind of item purchased

(c) price of the item - the total cost for the number of each type purchased

Shown below is a completed sales slip.



Date April 28 1972

M Joe Blackstone

Pine Bluff

SOLD BY	C.O.D.	CHARGE	ON ACCT.	ACCT. FW'D.

1	4 Tomato Soup	1/15		60
2	2 Pork + Beans	2/45		45
3	1 Hammer		2	75
4			3	80
5				
6	Paid			
7				
8				
9				
10				
11				
12				
13				
14				
15				

8. Using Projectual FAB6-1, identify each part of the sales slip mentioned in the Readings.

9. Read Section 1, part c, of the Readings.

c. Filling out the Sales Slip

Jack Blackstone, who lives in Pine Bluff, went to Joe Mathew's store to buy some goods. He bought: 4 cans of tomato soup which were 15¢ a tin, 2 cans of pork and beans which were on special at 2 for 45¢, and a hammer which was selling for $2.75.

When filling out the sales slip, Joe made sure he put the right date in the space marked DATE. He also wrote in Jack's name and address.

Next he entered the items Jack bought. In the first quantity column he wrote 4 because Jack bought 4 cans of tomato soup. Next he wrote down the name of the item, that is, tomato soup. He put the numbers 1/15 meaning that 1 can sells for 15 cents. Next he multiplied 4 x 15¢ and put the answer, 60¢ in the last column.

He then entered the pork and beans on the sales slip in a similar manner. He put 2/45 behind the name of the item to indicate that 2 cans sold for 45¢.

After this he entered the hammer on the sales slip.

Finally he added all the amounts in the dollars and cents column to find out how much Jack must pay him. Since Jack paid cash for his goods, Joe marked the sales slip PAID and gave Jack the original sales slip keeping the copy for himself.

10. Ask if everyone is clear about how to fill out a sales slip. If there are any questions, review the appropriate part of the Readings.

11. Read Section 1, part d, of the Readings.

d. Some General Rules for Sales Slips

(1) Be sure that the carbon paper has been put between the original sales slip and the copy.
(2) Write clearly and press down hard enough to make sure the copy has all the entries put on the original.

(3) Describe all items correctly.
(4) Place all figures in the right columns.
(5) Check your multiplication and addition.

12. Discuss Question 2 at the end of Case FAB6-2.

13. Show Projectual FAB6-2 and ask how the voucher would be filled out.

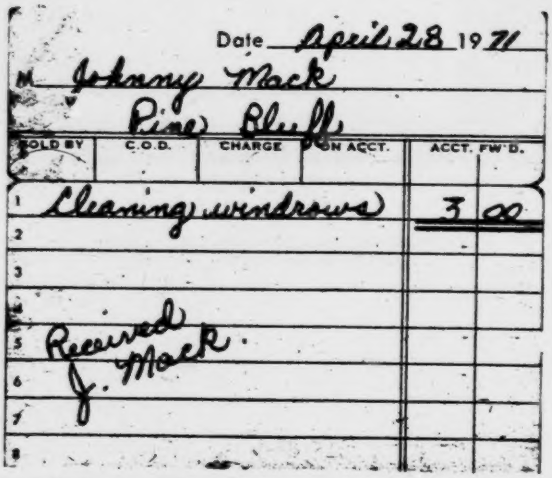
14. Read Section 2, part a and b, of the Readings.

2. The Pay-Out Voucher

a. Purpose of the Pay-Out Voucher
When you are in business you will, at times, have to pay out money to different people; you will have to pay freight and delivery bills, as well as people who do small jobs for you. As a businessman you will have to keep track of all the money you pay out. To do this you can use a Pay-Out Voucher.

b. Parts of a Pay-Out Voucher
At the top of the pay-out voucher, you put the name and address of the business or person to whom you are paying the money. It is important to date the pay-out voucher correctly so that you can tell when you paid out the money.

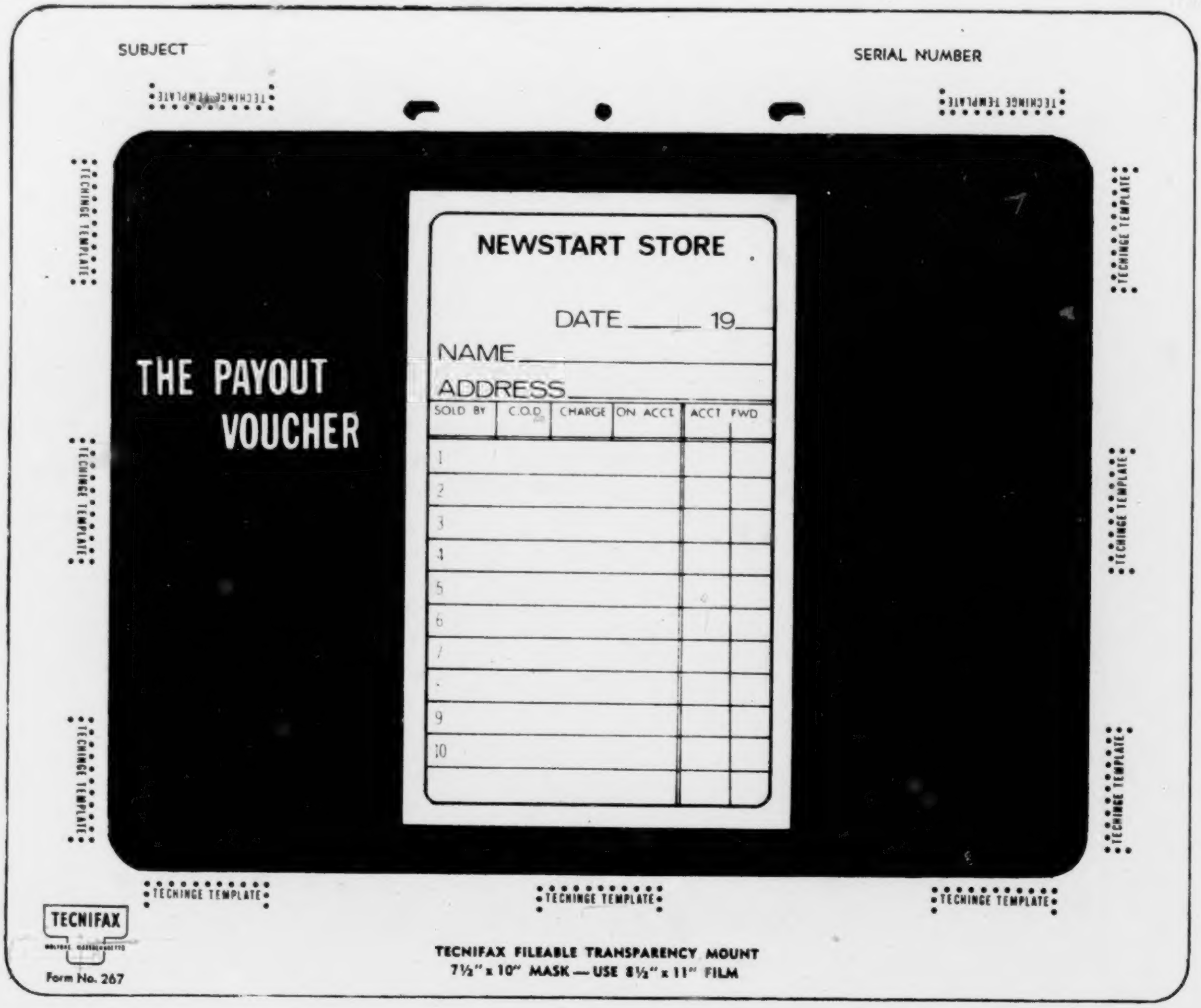
In the columns used for describing the goods, you write down the service for which you are paying. The last two columns of the voucher are used for the dollars and cents you are paying. A pay-out voucher is shown below.



Date April 28 1971
M Johnny Mack
Pine Bluff

SOLD BY	C.O.D.	CHARGE	ON ACCT.	ACCT. FW'D.	
1 Cleaning windows				3	00
2					
3					
4					
5 Received					
6 J. Mack.					
7					
8					

FAB6-1 THE PAYOUT VOUCHER


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
THE PAYOUT VOUCHER
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

NEWSTART STORE

DATE ______ 19__

NAME ______

ADDRESS ______

SOLD BY	C.O.D.	CHARGE	ON ACCT.	ACCT FWD	
1					
2					
3					
4					
5					
6					
7					
.					
9					
10					

15. Using the Projectual FAB6-2 identify each part of the pay-out voucher.

16. Read Section 2, part c, of the Readings.

c. Filling in the Pay-Out Voucher

Over the past three months, Johnny Mack had done a few jobs for Joe Mathew. This morning he washed the windows of the store; Joe had promised to pay him three dollars ($3.00) for doing this.

When Joe paid Johnny Mack, Joe made out a pay-out voucher so that he would have a record of this pay-out. Joe began by writing in the date and then Johnny Mack's name and address. Next he wrote down what service he was paying for, that is, cleaning windows. After writing into the money column the amount he was paying, Joe had Johnny sign the voucher so that he too had a receipt showing that he had received the money.

17. Using the Projectual FAB6-2, illustrate how a pay-out voucher is completed.

18. If there are any questions on filling out the pay out voucher, review the appropriate part of the Readings.

19. Read Section 2, part d, of the Readings.

d. Some General Rules for Pay-Out Vouchers

(1) Be sure that the carbon paper has been put between the copy and the original pay-out voucher.
(2) Write clearly and press down hard enough to make sure the copy has all the entries put on the original.
(3) Describe pay-out item correctly.
(4) Place all figures in the proper columns.

Indicator

20. Instruct the students to complete sales slips and pay-out vouchers for the transactions in Case FAB6-1.

21. Hand out two (2) sales books to each student. One book is to be used to record sales, the other to record payments.

FAB6

Date July 9 19

M Mrs. T. Blue

Middle Rapids

SOLD BY	C.O.D.	CHARGE	ON ACCT.	ACCT. FWD.	

1	4 Tomato soup 3/43		86
2	3 pea soup 3/55		55
3	2 Bread 1/25		50
4	2 Beans 2/43		43
5			
6		2	34
7	Paid		
8			
9			
10			

Date July 9 19

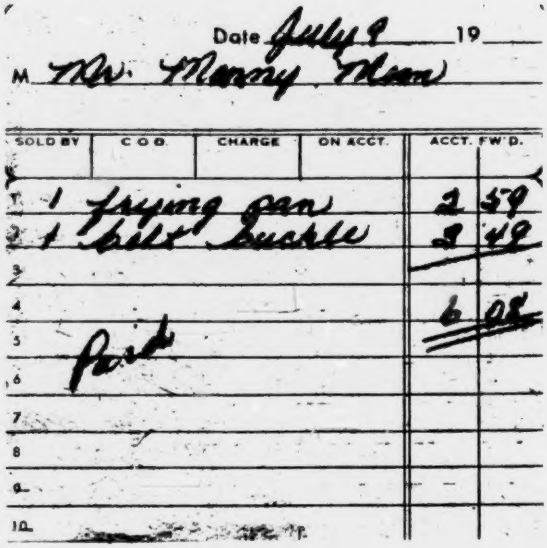
M Mr. Jack John

Middle Rapids

SOLD BY	C.O.D.	CHARGE	ON ACCT.	ACCT. FWD.	

1	1 plier	1	95
2	3 cigarettes 1/65	1	95
3			
4		3	90
5	Paid		
6			
7			
8			
9			
10			

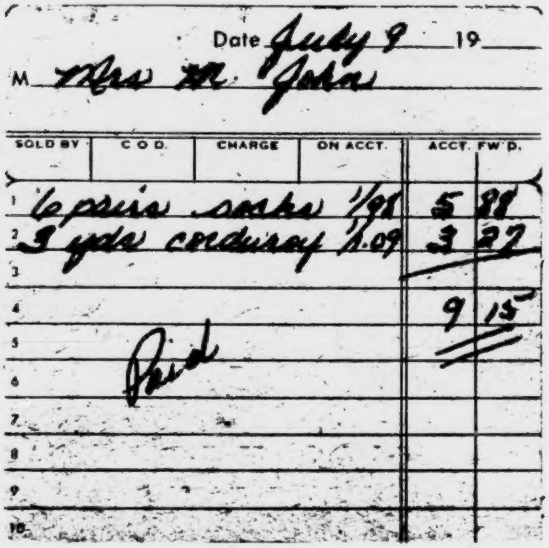
FAB6



Date July 9 19

M Mr. Manny Man

SOLD BY	C O D.	CHARGE	ON ACCT.	ACCT. FW'D.	
1 frying pan				2	59
1 belt buckle				3	49
				6	08
Paid					



Date July 9 19

M Mrs M. John

SOLD BY	C O D.	CHARGE	ON ACCT.	ACCT. FW'D.	
6 pairs socks 1/.98				5	88
3 yds corduroy 1/1.09				3	27
				9	15
Paid					

FAB6

Date July 9 19

M Windy Mission School
Middle Rapids

SOLD BY	C O D.	CHARGE	ON ACCT.	ACCT. FW'D.	

1	25 Bread 1/25	6	25
2	24 Beans 2/43	5	16
3	48 Tomato soup 2/43	10	32
4	25 lbs. Hamburger 1/70	17	50
5	3 lbs. Butter 1/78	2	34
6	24 spaghetti 2/47	5	64
7			
8		47	21
9	Paid		
10			

Date July 9 19

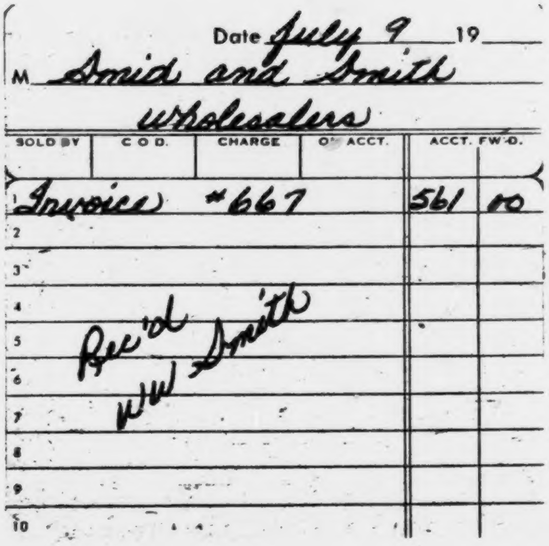
M Mrs. B. Duran

SOLD BY	C O D.	CHARGE	ON ACCT.	ACCT. FW'D.	

1	1 Bread		25
2	2 Beans 2/43		43
3	2 lbs Hamburger 1/78	1	56
4	1 peaches		41
5			
6		2	65
7			
8	Paid		
9			
10			

FAB6

Pay-Out Vouchers



Date July 9 19

M Smid and Smith Wholesalers

SOLD BY	C O D.	CHARGE	ON ACCT.	ACCT. FW'D.	

1 Invoice #667 | 561 | 10

2

3

4

5 Rec'd

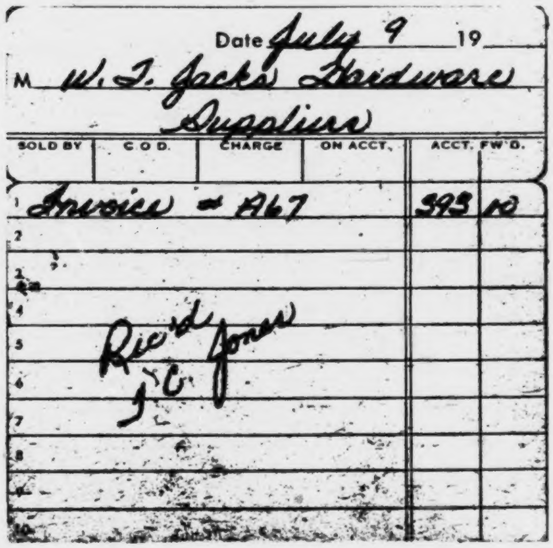
6 W W Smith

7

8

9

10



Date July 9 19

M W. T. Jacks Hardware Suppliers

SOLD BY	C O D.	CHARGE	ON ACCT.	ACCT. FW'D.	

1 Invoice # 1867 | 393 | 10

2

3

4

5 Rec'd

6 J. C. Jones

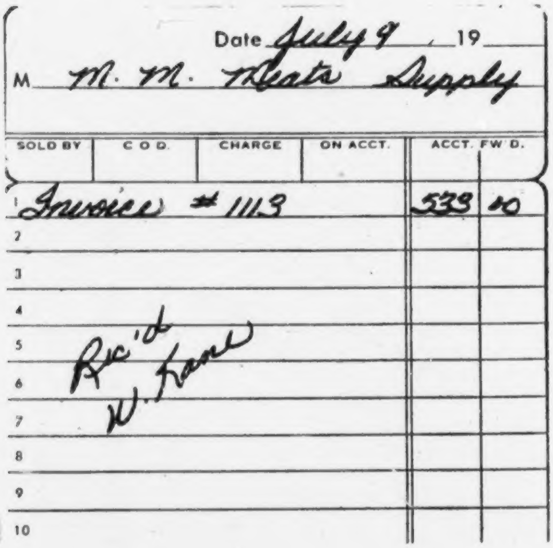
7

8

9

10

FAB6

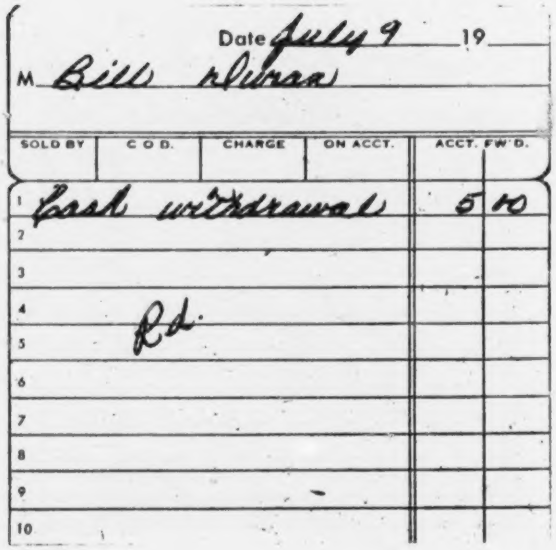


Date July 9, 19

M M. M. Meats Supply

SOLD BY	C.O.D.	CHARGE	ON ACCT.	ACCT. FW'D.	

1 Invoice #1113	533	00
2		
3		
4		
5 Rec'd		
6 W. Kane		
7		
8		
9		
10		



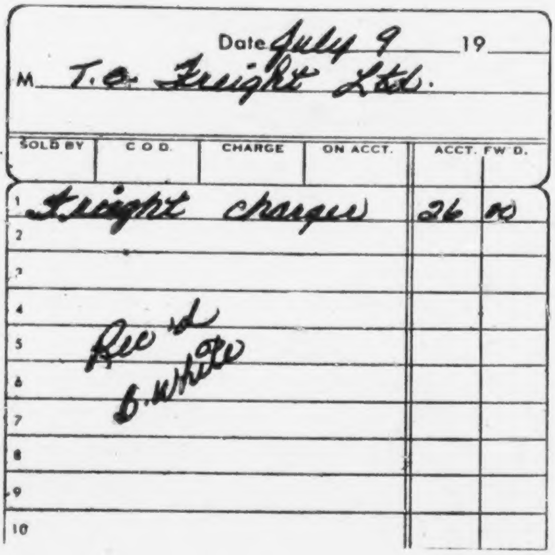
Date July 9 19

M Bill Olivas

SOLD BY	C.O.D.	CHARGE	ON ACCT.	ACCT. FW'D.	

1 Cash withdrawal	5	00
2		
3		
4 Rd.		
5		
6		
7		
8		
9		
10		

FAB6



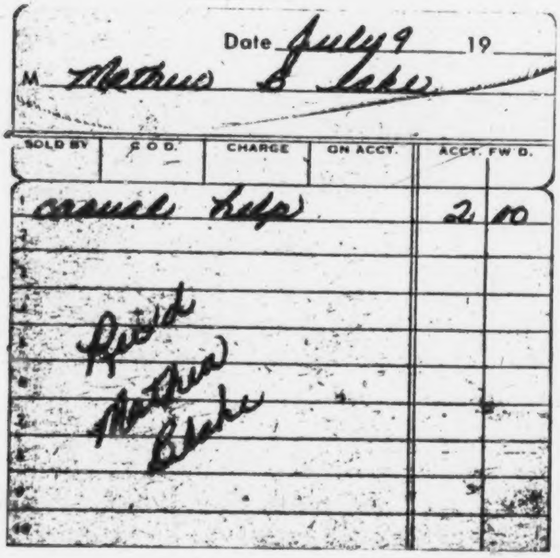
Date July 9 19

M T.O. Freight Ltd.

SOLD BY	C.O.D.	CHARGE	ON ACCT.	ACCT. FW'D.	

1	Freight charges	26	00
2			
3			
4			
5			
6			
7			
8			
9			
10			

Rec'd
B. White



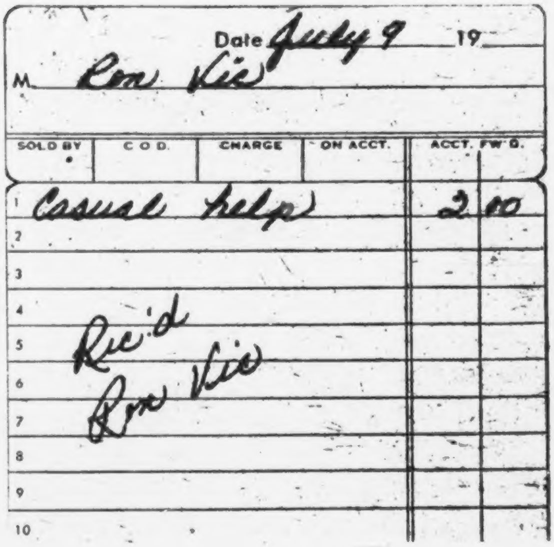
Date July 9 19

M Mathew B Lake

SOLD BY	C.O.D.	CHARGE	ON ACCT.	ACCT. FW'D.	

1	casual help	2	00
2			
3			
4			
5			
6			
7			
8			
9			
10			

Rec'd
Mathew
Blake



Date July 9 19

M Ron Vic

SOLD BY	C.O.D.	CHARGE	ON ACCT.	ACCT. FW'D.

1 Casual help	2	00
2		
3		
4		
5 Rec'd		
6 Ron Vic		
7		
8		
9		
10		

OBJECTIVE 2: GIVEN THE FACTS AND FIGURES OF VARIOUS BUSINESS TRANSACTIONS, THE STUDENT WILL BE ABLE TO CORRECTLY ENTER THE INFORMATION ON THE ORIGINAL DOCUMENTS INTO THE JOURNAL AND THEN POST THESE ENTRIES TO THE PROPER LEDGER ACCOUNT.

Stimulus

1. Ask how Bill Duran would go about entering the information on his sales slips and pay-out vouchers into his books.

Clarify Problem

2. On the flip chart list the order of entering the information into his books:

   - enter into Journal
   - post to Ledger accounts

Provide Information

3. Read Section 3 of the Readings.

3. Entering the Day's Sales into Your Books

Rather than entering each individual sale into your books it is easier to enter a figure showing the total sales for the day. This figure is obtained by adding the totals of all the sales slips made out that day.

Many times you will make small sales of 50¢ or less for which the customer won't want a sales slip. When this occurs you should enter the amount of the sale into a note-book called Small Sales. Simply mark down the amount of each small sale. At the end of the day total all the small sales for the day and add this total to that of the sales slips. This will give you the total of all the sales for the day.

If you are using a cash register the amounts of all the sales (all small sales plus the total of each sales slip) will appear on the cash register tape. You will therefore, not need a small sales book. You can add all the amounts on the cash register tape to calculate your total sales for the day.

To enter the total sales for the day into your bookkeeping records, you must make a journal entry. Since you received cash, you debit the account cash. Following the debit/credit rule you must then credit an account called sales since you now have less merchandise. Once the Journal is posted you then must post the proper accounts in the General Ledger.

We will now see how Joe Mathew would enter a day's sales into his bookkeeping records.

On January 3, Joe Mathew had the following sales slips:

Joe Blackstone	$ 3.80
Mather Johns	26.20
Mary Smith	31.00
T.C. Blair	62.71

Joe also had entered the following amounts in his small sales book:

$0.25
0.35
0.67
0.35

By adding the sales slips and the small sales entries, Joe found that his total sales for the day were $125.33.

Joe then made the following Journal entry:

Page 2 of the Journal

Jan	3	Cash	1	$ 125 33	
Jan	3	Sales	45		$ 125 33
		[Total Sales for day]			

After he had posted the Journal, Joe posted the Journal information to the proper General Ledger accounts, cash and sales.

ACCOUNT NO. ________ SHEET NO. 1
NAME Cash TERMS ________
ADDRESS ________ CREDIT LIMIT ________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR OR CR	✓	BALANCE
19—										
Dec	31	Opening Balance	J1		300 00			Dr		300 00
Jan	2	Sales	J1				65 00	Dr		235 00
Jan	2	Loan Payment	J1				100 00	Dr		135 00
"	2	Personal investment	J1		500 00			Dr		635 00
"	2	Personal Withdrawal	J1				25 00	Dr		610 00
"	2	Loan from Father-in-law	J1		150 00			Dr		760 00
"	3	Sales	J2		125 33			Dr		885 33

ACCOUNT NO. ________ SHEET NO. 45
NAME Sales TERMS ________
ADDRESS ________ CREDIT LIMIT ________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR OR CR	✓	BALANCE
19—										
Jan	3		J2				125 33	Cr		125 33

Now simply by turning to the sales account, Joe can find:

a. how much he sold on a particular date - from each particular entry

b. how much he has sold to date - from the balance.

4. Using the flip chart show the students how the Journal entries and Ledger entries for the above examples in the Readings were made. (Copy examples onto the flip chart and then discuss.)

5. Read Section 4 of the Readings. Using the flip chart illustrate the entry of the information from the pay-out voucher into the Journal and Ledger accounts.

4. Entering Pay-Outs into the Books

Besides knowing how much is sold (which equals the amount of money taken in from sales), it is important for the businessman to know:

a. how much money he is paying out
b. what he is paying for with this money.

Pay-outs are recorded on pay-out vouchers (which you learned to fill out at the beginning of this lesson). The pay-outs will be of two major types:

a. those for the purchase of merchandise for resale
b. those for expenses involved in selling goods or services payments to workers, power and heat bills, etc.

The first type of pay-out, generally called purchases, tell how much it cost you to obtain the goods you are going to sell. (They may be recorded either on pay-out vouchers or on invoices received from your suppliers.)

The other type of pay-outs tells how much it cost you to sell these goods or services.

To enter the pay-outs into your books, you first total the pay-out vouchers showing the payment for purchases of merchandise for the day. You then enter this total into your Journal as follows:

a. Debit Purchases - you are increasing your assets by adding new merchandise.

b. Credit Cash - you are decreasing your assets by paying out cash.

To illustrate, we will show how Joe Mathew posted his purchases for January 3, 19__.

Joe paid cash for the following purchases of merchandise:

$20.00	- recorded on pay-out voucher
51.00	- recorded on invoice $117
16.32	- recorded on invoice #119
$87.32	Total Purchase

Page 2 of the Journal

Jan	3	Purchases	60	$ 87 32	
Jan	3	Cash	1		$ 87 32
		[invoices #117, 109 + payment voucher]			

Joe then posted this Journal entry to the proper General Ledger accounts. These accounts were purchases and cash.

ACCOUNT NO. ______ SHEET NO. 1
NAME Cash ______ TERMS ______
ADDRESS ______ CREDIT LIMIT ______

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR. CR.	✓	BALANCE
19—										
Dec	31	Opening Balance	J1		300 00			Dr		300 00
Jan	2	Scales	J1				65 00	Dr		235 00
Jan	2	Loan Payment	J1				100 00	Dr		135 00
Jan	2	Personal investment	J1		500 00			Dr		635 00
Jan	2	Personal withdrawal	J1				25 00	Dr		610 00
Jan	2	Loan from Father-in-law	J1		150 00			Dr		760 00
Jan	3	Sales	J2		125 33			Dr		885 33
Jan	3	Purchases	J2				87 32	Dr		798 01

ACCOUNT NO. ____________ SHEET NO. 60
NAME Purchases TERMS ____________
ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19—										
Jan	3		J2		87 32			Dr		87 32

Pay-out vouchers other than the purchases are classified as expenses (unless they change the value of an asset of the business). Expenses include such things as power, heat, light workers, part-time help, taxes, etc.

To enter the pay-outs for these items into your books, you would first total the vouchers.

We will look at how Joe Mathew recorded his expenses for January 3, 19__.

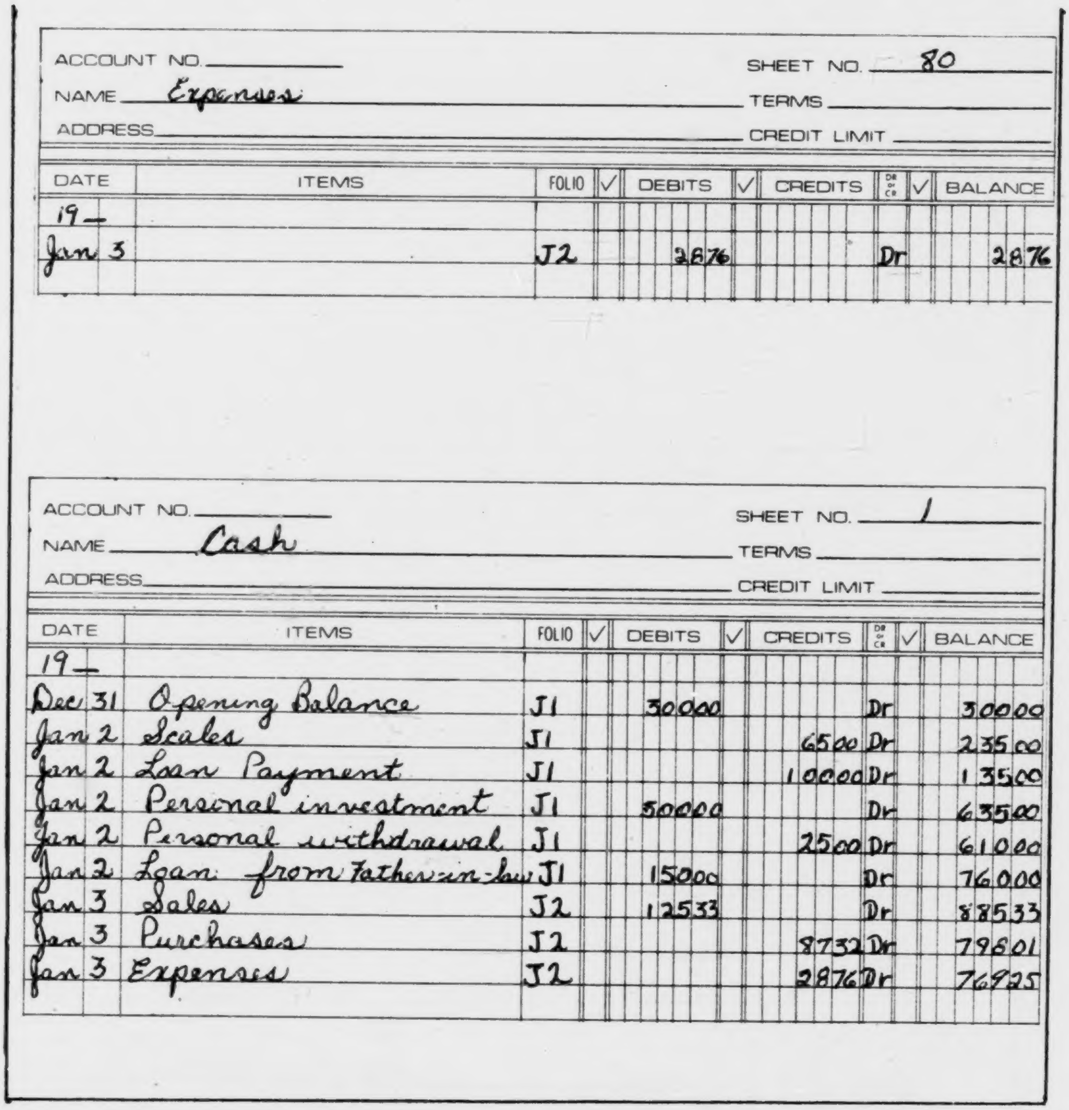
Joe's expenses recorded on the pay-out vouchers were as follows:

$ 3.00	- Johnny Mack for washing windows
12.59	- Telephone bill
13.17	- Power bill
$28.76	Total

Joe entered this information into the Journal as follows:

Jan	3	Expenses	80	$ 28 76	
Jan	3	Cash	1		$ 28 76

He then posted this to the proper General Ledger accounts - cash and expenses.



ACCOUNT NO.
NAME Expenses
ADDRESS
SHEET NO. 80
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19—										
Jan	3		J2		28 76			Dr		28 76

ACCOUNT NO.
NAME Cash
ADDRESS
SHEET NO. 1
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19—										
Dec	31	Opening Balance	J1		300 00			Dr		300 00
Jan	2	Scales	J1				65 00	Dr		235 00
Jan	2	Loan Payment	J1				100 00	Dr		135 00
Jan	2	Personal investment	J1		500 00			Dr		635 00
Jan	2	Personal withdrawal	J1				25 00	Dr		610 00
Jan	2	Loan: from Father-in-law	J1		150 00			Dr		760 00
Jan	3	Sales	J2		125 33			Dr		885 33
Jan	3	Purchases	J2				87 32	Dr		796 01
Jan	3	Expenses	J2				28 76	Dr		769 25

6. Discuss the entering of sales slips and pay-out vouchers into the books. It might be advantageous to illustrate the procedures by having the student give an example.

7. Read Section 5 of the Readings and discuss.

5. Summary

By recording sales, purchases, and expenses you can keep track of the money involved in the day-to-day business transactions.

The sales account informs you how much you have taken in from the selling of goods and services.

The purchases account tells you how much it has cost to obtain the goods you sell.

The expenses account tells you how much it has cost to operate the business.

Indicator

8. Instruct the students to enter the information from the sales slips and pay-out vouchers from the Case FAB6-1 into the Journal and then post the Ledger accounts up to the end of business July 9.

FAB6

Page 2

Journal Entries

DATE		DESCRIPTION	POST REF.	DEBIT	CREDIT
July	9	Cash	1	71 33	
July	9	Sales	40		71 33
July	9.	Purchases	45	561 00	
July	9.	Cash	1		561 00
		(invoices #667)			
July	9.	Purchases	45	393 00	
July	9.	Cash	1		393 00
		(invoice #A67)			
July	9	Purchases	45	533 00	
July	9	Cash	1		533 00
		(invoice #1113)			
July	9	Freight	44	26 00	
July	9	Cash	1		26 00
		(T.C. Freight Ltd.)			
July	9	Expenses	50	4 00	
July	9	Cash	1		4 00
		(Casual help)			
July	9	Owner's Drawings	35	5 00	
July	9	Cash	1		5 00

FAB6

SHEET NO. 1

ACCOUNT NO.

NAME Cash

TERMS

ADDRESS

CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	Dr or Cr	✓	BALANCE
July	5	Opening Balance	J1		1650 00			Dr		1650 00
"	6	Purchase of Equipment	J1				1170 00	Dr		480 00
"	6	Loan - government	J1		2200 00			Dr		2680 00
"	9	Sales	J2		71 33			Dr		2751 33
"	9	Purchases	J2				561 00	Dr		2190 33
"	9	Purchases	J2				393 00	Dr		1797 33
"	9	Purchases	J2				533 00	Dr		1264 33
"	9	Freight	J2				26 00	Dr		1238 33
"	9	Expenses	J2				4 00	Dr		1234 33
"	9	Owner's Drawings	J2				5 00	Dr		1229 33

FAB6

ACCOUNT NO. ____________ SHEET NO. 45

NAME Purchases TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE	ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
July 9	#667 Smith & Smith	J2		561 00			Dr		561 00
	#A67 W. T. Jacks	J2		393 00			Dr		954 00
	#1113 M. M. Meats	J2		533 00			Dr		1487 00

FAB6

ACCOUNT NO.

SHEET NO. 50

NAME Expenses

TERMS

ADDRESS

CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
July	9	Casual help	J2		4 00			Dr		4 00

FAB6

ACCOUNT NO. __________ SHEET NO. 44

NAME Freight TERMS __________

ADDRESS __________ CREDIT LIMIT __________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
July	9	T. C. Freight Ltd.	J2		26 00			Dr		26 00

FAB6

ACCOUNT NO. ____________ SHEET NO. 40

NAME Sales TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE	ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR CR	✓	BALANCE
July 9		J2				71 33	Cr		71 33

FAB6

ACCOUNT NO. ______ SHEET NO. 35
NAME Investment TERMS ______
ADDRESS ______ CREDIT LIMIT ______

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
July	5	Opening Balance	J1				750 00	Cr		750 00
"	9	Withdrawal	J2		5 00			Cr		745 00

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB6 RECORDING EXPENSES AND REVENUES

CASE FAB6 - 1

BILL DURAN OPENS FOR BUSINESS

On July 6 Bill Duran received a loan of $2,200.00 to buy merchandise. He sent his orders to three suppliers late that afternoon. On the morning of July 9 the goods arrived. Bill paid freight charges of $26.00 to T. C. Freight Ltd.

The merchandise orders amounted to $1,487.00 in total. They were sent from three suppliers:

1.	Smith and Smith Wholesalers	$ 561.00	Invoice #667
2.	W. T. Jacks Hardware Suppliers	393.00	Invoice #A67
3.	M. M. Meat Suppliers	533.00	Invoice #1113
		$1,487.00	

Bill paid cash for the merchandise. He hoped to make banking arrangements soon so he wouldn't have to worry about having large amounts of cash in the building.

Bill asked Mathew Blake and Ron Vic to help him move the boxes into the storage area. He paid them $2.00 each.

By about noon on July 9 Bill had the orders checked and arranged on the shelves. At 1 o'clock Bill opened his doors for business.

That afternoon many people came to look at Bill's store. Bill made the following sales:

FAB6

1. Mrs. T. Blue, Middle Rapids

2 loaves bread	$0.25	a loaf
4 cans tomato soup	2/43¢	
3 cans pea soup	3/55¢	
2 cans beans	2/43¢	

2. Mr. Jack John, Middle Rapids

1 pair pliers	$1.95	
3 packs cigarettes	0.65	a pack

3. Mr. Manny Moon, Middle Rapids

1 frying pan	$2.59	
1 belt buckle	3.49	

4. Mrs. M. John, Middle Rapids

6 pairs of socks	$2.59	a pair
3 yards of corduroy	1.09	per yard

5. Windy Mission School, Middle Rapids

25 loaves of bread	$0.25	a loaf
25 pounds of hamburger	0.70	a pound
3 pounds of butter	0.78	a pound
24 cans of beans	2/43¢	
48 cans of tomato soup	2/43¢	
24 cans of spaghetti	2/47¢	

Bill's wife came to the store just before closing time to get a few things for supper. She took the following:

1 loaf of bread	$0.25	a loaf
2 pounds of hamburger	0.78	a pound
1 tin peaches	0.41	
2 tins of beans	2/43¢	

Bill took $5.00 from cash to pay for these.

At the close of store hours Bill prepared to do his books for the day.

Questions for Discussion

1. When Bill makes a sale how can he record the items sold, the price per item, and the total sale?
2. How can Bill keep track of the money he pays out?

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB7 TAKING THE TRIAL BALANCE

INSTRUCTOR'S GUIDE

OVERVIEW

The complete record of any transaction requires debit and credit entries of equal amount. The great advantage of this equality of debits and credits is that it permits the bookkeeper to prove the accuracy of his bookkeeping by taking a Trial Balance.

Immediately after closing off the accounts in the Ledger at a predetermined cut-off date, the bookkeeper prepares a Trial Balance by listing the balances of all accounts in two separate columns; the left-hand column for the debit balances, the right-hand column for the credit balances. When the listing is completed both columns must be totalled and the totals compared. If they are equal, the books are in balance. If they are unequal, errors must have occurred, and it will be necessary to check back through the work and discover and correct the errors until the debit and credit balances are equal. All errors must be found in order that information in the records may be safely relied upon. Trial Balances are used not only as a test of the accuracy of the double entry bookkeeping records, but also as the basis for preparation of the financial statements.

OBJECTIVE

Given a General Ledger that has been posted to date, the student will be able to take a Trial Balance. The Trial Balance will be evaluated on the following criteria:

1. It contains a heading which states who, what, and when.
2. The accounts are listed in order of account numbers.
3. The total debit balances equal the total credit balances.

4. The figures conform to those given in the General Ledger.
5. The writing is legible.

RESOURCES REQUIRED

1. Case FAB7-1, "Bill Duran Checks His Books"

METHODOLOGY

1. Hand out Readings.

2. Read Purpose and Introduction and discuss.

PURPOSE

In this lesson you will learn how to do a Trial Balance of your books in order to check the entries in your bookkeeping records.

INTRODUCTION

In lessons FAB4, FAB5 and FAB6 you learned how to post the opening balances and various business transactions to the Journal. The Journal entry made for any transaction contains four items of information:

1. the date of the transaction
2. the account or accounts to be debited, and the amount
3. the account or accounts to be credited, and the amount
4. a brief explanation of the transaction.

After the entry is recorded in the Journal (journalizing), the amounts are then transferred to the proper accounts in the General Ledger. This transferring of amounts from the Journal to the Ledger accounts is known as posting. In actual bookkeeping practice, no entry of any kind may be made directly into a Ledger account without first being recorded in the Journal.

Accuracy in posting is absolutely essential. Therefore, the following steps in posting from the Journal to the General Ledger should be carefully followed:

1. Head up the necessary accounts and number them.

2. Enter the date of the transaction

    a. The year is written at the top of the column
    b. The name of the month is written only once in the date column used on the page or in the account
    c. The day of the month is written opposite each entry.

3. Enter the number of the Journal page from which the amount was posted in the post reference column of the Ledger account. This number is preceded by the letter "J" to indicate that the amount came from the Journal.

4. Enter the amount of the transaction into either the debit or credit column:

    a. Amounts entered in the debit column of the Journal are posted to the debit column of their accounts
    b. Amounts entered in the credit column of the Journal are posted to the credit column of their accounts.

5. After each posting, extend the balance into the balance column, and indicate the nature of the balance by the abbreviation dr. or cr.

6. Check the amount and make sure everything has been properly entered into the account. Then, to indicate that the amount has been posted from the Journal, enter the account number in the post reference column of the Journal.

For every amount that has been posted to the debit side of an account, an equal amount was posted to the credit side of some other account. Therefore, if the posting was correct, the total of the debit balances of the accounts should be equal to the total of the credit balances. To test the accuracy of your posting you do a Trial Balance of General Ledger accounts.

OBJECTIVE: GIVEN A GENERAL LEDGER THAT HAS BEEN POSTED TO DATE, THE STUDENT WILL BE ABLE TO TAKE A TRIAL BALANCE. THE TRIAL BALANCE WILL BE EVALUATED ON THE FOLLOWING CRITERIA:

1. IT CONTAINS A HEADING WHICH STATES WHO, WHAT AND WHEN.
2. THE ACCOUNTS ARE LISTED IN ACCOUNT NUMBER ORDER.
3. THE TOTAL DEBIT BALANCES EQUAL THE TOTAL CREDIT BALANCES.
4. THE FIGURES CONFORM TO THOSE GIVEN IN THE GENERAL LEDGER.
5. THE WRITING IS LEGIBLE.

Stimulus

3. Hand out Case FAB7-1.

4. Have students post the Ledger accounts of the Middle Rapids Trading and General Store up to date as of July 31, 19__. (Posted Ledger accounts may be found at the end of this lesson.)

Clarify Problem

5. Ask the question given at the end of the case and discuss: What can Bill Duran do to make sure his posting is accurate?

Provide Information

6. Read Section 1 of the Readings and discuss.

CONTENT

1. The Trial Balance

In the Journal the debits for each entry are equal to the credits for that entry. If no errors are made in posting, the total of all debit amounts in the Ledger equals the total of all credit amounts in the Ledger. It follows, then, that a method of proving the accuracy of posting is to test the equality of the debits and the credits in the Ledger.

This test of the equality of the debits and the credits in the Ledger is called a Trial Balance. It consists of a list of the account titles in the Ledger with their balances arranged in a debit column and a credit column, and each column totalled. If the two totals of the Trial Balance are equal, the posting of the Journal is assumed to be correct.

The trial balance is usually taken on the last day of each month, but it may be taken at any time to provide the accuracy of posting.

The steps to follow are:

Step 1: Post the accounts in the Ledger to date.

Step 2: Determine the balance of each account.

Step 3: At the top of a sheet of Journal paper write the heading for the Trial Balance:

Line 1 - name of the business
Line 2 - a. the words, "Trial Balance"
b. the date

Step 5: On the first line of Trial Balance write:

a. the account's title - in the description column
b. its Ledger page number - in the posting reference column
c. its balance - in the proper debit or credit amount column.

Step 6: For each additional account write:

a. the account title - in the description column
b. the page number - in the post reference column
c. the balance - in the debit or credit amount column.

Step 7: Rule a single line under the last amounts listed in both columns to indicate addition. (Rulings may be made in black or red.)

Step 8: Add each amount column:

a. Write the totals beneath each column
b. If the two totals of the Trial Balance are equal, the posting of the Journal is assumed to be accurate.

Step 9: Once the Trial Balance is in balance, rule a double line under the totals across all columns except the description column.

NOTE: In bookkeeping, a double ruling indicates that the work has been completed satisfactorily. The double line should not be drawn until the Trial Balance is in balance.

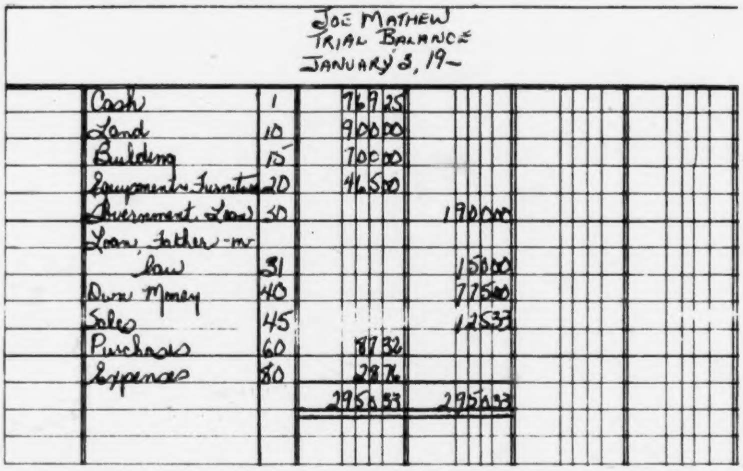
Joe Mathew wanted to check the accuracy of his books. On January 3, after business was through for the day, he decided to take a Trial Balance.

Below are the balances of the accounts in Joe's General Ledger:

Cash	Page 1	$ 769.25	Dr.
Land	10	900.00	Dr.
Building	15	700.00	Dr.

Equipment & Furniture	20	465.00	Dr.
Govt. Loan	30	1,900.00	Cr.
Loan from father-in-law	31	150.00	Cr.
Own Money	40	775.00	Cr.
Sales	45	125.33	Cr.
Purchases	60	87.32	Dr.
Expenses	80	28.76	Dr.

Using the above information Joe prepared the Trial Balance. The completed Trial Balance appears below.



JOE MATHEW
TRIAL BALANCE
JANUARY 3, 19–

Cash	1	769 25	
Land	10	9000 00	
Building	15	7000 00	
Equipment & Furniture	20	465 00	
Government Loan	30		1900 00
Loan, father-in-law	31		150 00
Own Money	40		775 00
Sales	45		125 33
Purchases	60	87 32	
Expenses	80	28 76	
		2956 33	2956 33

7. Ask the students how they would take a Trial Balance of the Ledger accounts of the Middle Rapids Trading and General Store. Discuss.

8. Read Section 2 of the Readings.

2. Kind of Proof Provided by the Trial Balance

If the two totals of the Trial Balance are equal, the Ledger is said to be in balance. The person preparing the Trial Balance is assured that there is equality of debits and credits in the Ledger and generally assumes that all posting is accurate.

It should be noted, however, that a Trial Balance which is in balance does not completely prove the accuracy of the bookkeeping records:

a. A mistake might be made by posting entries to the wrong accounts. Although the debits and credits would be equal, the balances in the accounts concerned would be incorrect. Probably an error of this kind would be found only by someone checking these accounts with the original documents.

b. The recording of a transaction may be entirely omitted. Since the Ledger will still be in balance, the error will not be indicated by the Trial Balance. Care must be taken when posting the Journal at the end of each day so that a transaction is not omitted.

9. After completing Section 2 of the Readings list the balances of Joe Mathew's Ledger accounts on the flip chart and illustrate the drawing up of the Trial Balance.

10. Ask the students how a Trial Balance is useful. Discuss.

11. Read Section 3 of the Readings.

3. Finding Errors Indicated by an Out-of-Balance Trial Balance

If the two totals of the Trial Balance are not equal, the Trial Balance is said to be out-of-balance. When a Trial Balance is out-of-balance, all amounts should be checked out.

A Trial Balance out-of-balance indicates an error or errors in one or more of the following:

a. Journalizing
b. Posting
c. Addition or subtraction in the accounts
d. Listing the amounts on the Trial Balance
e. Addition of the amounts on the Trial Balance

In order to find the error or errors, it is necessary to check the records and the Trial Balance. This is usually done in the reverse order from that in which the work was completed.

Proceed as follows in checking a Trial Balance out-of-balance:

Step 1: Add again each column of the Trial Balance. (One or both of the columns may have been added incorrectly.)

Step 2: Find the amount of the difference between the debit and credit footings of the Trial Balance and look for this amount. (The amount of the difference may be a balance of an account that has been omitted from the Trial Balance.)

Step 3: Check the account titles and the balances on the Trial Balance against the account title and the balances in the Ledger. (An account balance may have been entered in the wrong column of the Trial Balance, the account balance may have been incorrectly copied, or one or more accounts may have been omitted entirely.)

Step 4: Verify the balances in each account in the Ledger. (An error may have been made in determining the balance.)

Step 5: Verify the posting of each item in the Journal, and check each amount in both the Journal and Ledger. (The checking of each amount must be done very carefully so that any error in copying amounts may be detected. An item may have been posted twice, entered on the wrong side of an account, or copied incorrectly.)

Step 6: Examine first the Journal and then the Ledger to find items not checked. Correct all errors discovered by this process. (The source of errors should now be found because all work has now been retraced.)

12. Ask the students how they would go about finding an error (or errors) in the books if the Trial Balance didn't balance.

13. Outline the suggested methods on the flip chart.

14. Read Section 4 of the Readings.

4. Correcting Errors as They are Found

a. If an account balance has been omitted from the Trial Balance, it should be inserted in the Trial Balance and the Trial Balance footings (addition of the columns) should be corrected.

b. If an account balance has been placed in the wrong column of the Trial Balance the amount should be erased or cancelled with a line and the same amount should be written in the correct column. The footings of the Trial Balance should then be corrected.

c. A similar correction to that above should be made for a balance copied incorrectly.

d. If the posting of an item has been omitted, the amount should be posted at once.

e. If an amount has been posted to the wrong side of an account, a line should be drawn neatly through the amount entered on the wrong side of the account and the item should be posted correctly.

f. If the wrong amount of an item has been posted, a line should be drawn neatly through the incorrect amount in the account and the correct amount written above it.

g. If an item has been posted twice, a line should be drawn neatly through the second posting in the account.

15. Read Section 5 of the Readings and discuss. This summary serves as a brief review of the bookkeeping procedures to date.

5. Summary

A Journal is a book in which all transactions are recorded as they occur.

Journalizing involves entering into the Journal the date, the name of the transaction involved, and the amount by which the account is to be debited or credited.

Posting is the transferring of the Journal information to the proper Ledger accounts.

A Trial Balance is a statement made up at least once a month as a check on the accuracy of the bookkeeper's posting.

Errors should not be erased, nor should the new figures be written over the old ones; a line should be drawn through the entire amount, and the correct amount written above.

FAB7

Indicator

16. Instruct the students to take a Trial Balance of the Ledger accounts of the Middle Rapids Trading and General STore as of July 31, 19__.

Middle Rapids Trading & General Store
Trial Balance
July 31, 19–

Cash	1	$3303 02	
Land	10	300 00	
Building	12	1500 00	
Equipment & Fixtures	14	2420 00	
Truck	15	850 00	
Loan government	30		6900 00
Investment - Duval	35		745 00
Sales	40		2985 11
Freight	44	43 00	
Purchases	45	2070 00	
Expenses		144 09	
		10630 11	10630 11

FAB7

ACCOUNT NO.
SHEET NO. 1
NAME Cash
TERMS
ADDRESS
CREDIT LIMIT

DATE 79		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
July	5	Opening Balance	J1		1650 00			Dr		1650 00
	6	Freezers	J1				375 00	Dr		1275 00
	6	Meat Coolers	J1				415 00	Dr		860 00
	6	Cash Register	J1				205 00	Dr		655 00
	6	Shelves	J1				175 00	Dr		480 00
	6	Government Loan	J1		2200 00			Dr		2680 00
	9	Sales	J1		71 33			Dr		2751 33
	9	#667 - Smith & Smith	J1				561 00	Dr		2190 33
	9	#A67 - W.J. Jacks	J2				393 00	Dr		1797 33
	9	#1113 - M.M. Meats	J2				533 00	Dr		1264 33
	9	T.C. Freight Ltd	J2				26 00	Dr		1238 33
	9	Casual Help	J2				4 00	Dr		1234 33
	9	Owner's Drawings	J2				5 00	Dr		1229 33
	10	Sales	J2		61 71			Dr		1291 04
	11	Sales	J2		110 18			Dr		1401 22
	12	Sales	J2		93 12			Dr		1494 34
					4186 34		2692 00			

FAB7

ACCOUNT NO. ______ SHEET NO. 2
NAME Cash TERMS ______
ADDRESS ______ CREDIT LIMIT ______

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR OR CR	✓	BALANCE
		Balance Forward			4186 34		2692 00			1494 34
July	13	Sales	J2		111 12			Dr		1605 46
	16	Sales	J3		60 01			Dr		1665 47
	16	Loan Payment	J3				100 00	Dr		1565 47
	17	Sales	J3		31 05			Dr		1596 52
	18	Sales	J3		316 91			Dr		1914 43
	19	Sales	J3		93 05			Dr		2006 48
	19	Truck Repairs	J3				15 00	Dr		1991 48
	19	Power Bills	J3				27 93	Dr		1963 55
	20	Sales	J3		105 93			Dr		2069 48
	22	Sales	J3		206 19			Dr		2275 67
	23	Sales	J3		191 11			Dr		2466 78
	23	Supplies	J4				39 16	Dr		2427 62
	24	Sales	J4		175 11			Dr		2602 73
	25	Sales	J4		301 19			Dr		2903 92
	25	M M Meats #1213	J4				193 00	Dr		2710 92
					5778 01		3067 09			

FAB7

ACCOUNT NO. ____________ SHEET NO. 3

NAME Cash TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
		Balance Forward			5778 01		3067 09			2710 92
July	25	Smith & Smith #1014	J4				390 00	Dr		2320 92
	25	T.C. Freight Ltd	J4				17 00	Dr		2303 92
	28	Sales	J4		199 10			Dr		2503 02
	29	Sales	J4		213 00			Dr		2716 02
	29	Gas for truck	J4				27 00	Dr		2689 02
	30	Sales	J5		319 00			Dr		3008 02
	31	Sales	J5		326 00			Dr		3334 02
	31	Telephone	J5				31 00	Dr		3303 02

FAB7

ACCOUNT NO. ____________ SHEET NO. 12
NAME Building TERMS ____________
ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR CR	✓	BALANCE
19	-									
July	5	Opening Balance	J1		150000			Dr		150000

FAB7

ACCOUNT NO. ______
NAME Land
ADDRESS ______
SHEET NO. 10
TERMS ______
CREDIT LIMIT ______

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
July	5	Opening Balance	J1		30 000			Dr		30 000

FAB7

ACCOUNT NO. ______
NAME Equipment
ADDRESS ______
SHEET NO. 14
TERMS ______
CREDIT LIMIT ______

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
July	5	Opening Balance	J1		1250 00			Dr		1250 00
	6	Freezer	J1		375 00			Dr		1625 00
	6	Meat Cooler	J1		415 00			Dr		2040 00
	6	Cash Register	J1		205 00			Dr		2245 00
	6	Shelves	J1		175 00			Dr		2420 00

FAB7

ACCOUNT NO. ____________ SHEET NO. 15

NAME Truck TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
July	5	Opening Balance	J1		850 00			Dr		850 00

FAB7

ACCOUNT NO.
SHEET NO. 30
NAME Loan - Government
TERMS
ADDRESS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
July	5	Opening Balance	J1				480000	Cr		480000
	6		J1				220000			700000
	16	Payment	J3		10000					690000

FAB7

ACCOUNT NO.
NAME Investment - B Duran
ADDRESS
SHEET NO. 35
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
July	5	Opening Balance	J1				150 00	Cr		150 00
	9	Withdrawal	J2		5 00			Cr		145 00

FAB7

ACCOUNT NO. ____________ SHEET NO. ____________

NAME ____________ TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE 19–		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
July	9		J1				71 33	Cr		71 33
	10		J2				61 71	Cr		133 04
	11		J2				110 18	Cr		243 22
	12		J2				93 12	Cr		336 34
	13		J2				111 12	Cr		447 46
	16		J3				60 01	Cr		501 47
	17		J3				31 05	Cr		538 52
	18		J3				316 91	Cr		855 43
	19		J3				93 05	Cr		948 48
	20		J3				105 93	Cr		1054 41
	22		J3				206 19	Cr		1260 60
	23		J3				191 11	Cr		1451 71
	24		J4				175 11	Cr		1626 82
	25		J4				301 19	Cr		1928 01
	28		J4				199 10	Cr		2127 11
	29		J4				213 00	Cr		2340 11
	30		J5				319 00	Cr		2659 11
	31		J6				326 00	Cr		2985 11

FAB7

ACCOUNT NO. ____________ SHEET NO. 44

NAME Freight TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
July	9	T.C. Freight Ltd	J2		26 00			Dr		26 00
	25	T.C. Freight Ltd	J4		17 00			Dr		43 00

FAB7

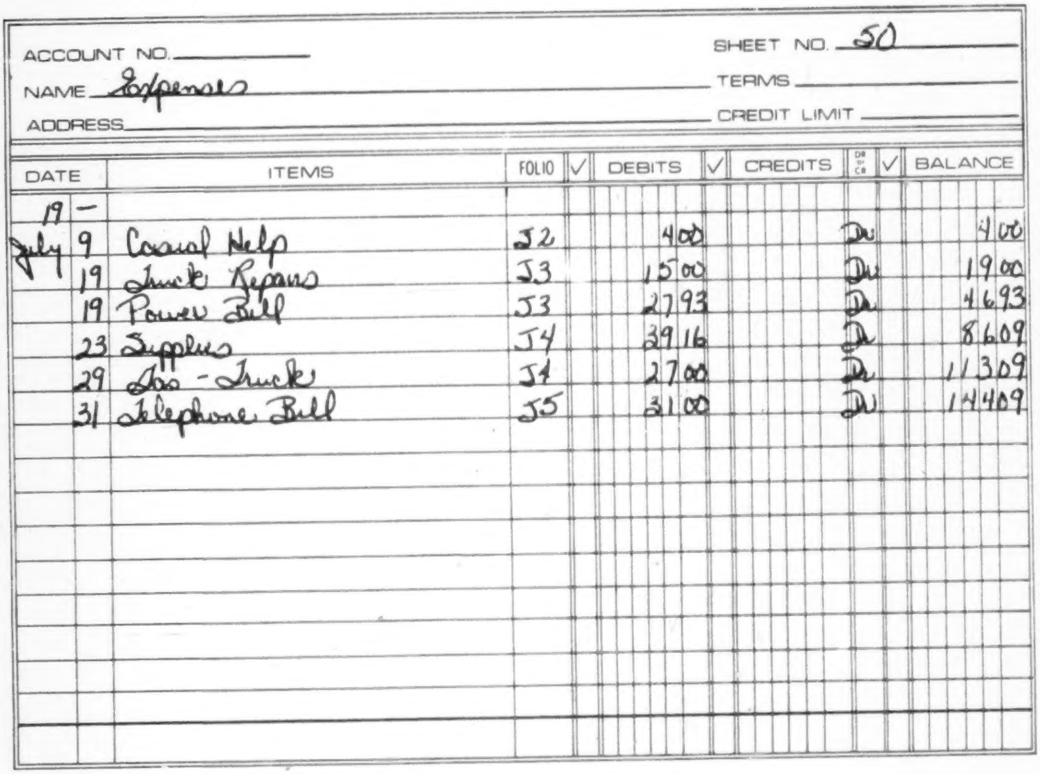
ACCOUNT NO. ______ SHEET NO. 45

NAME Purchases TERMS ______

ADDRESS ______ CREDIT LIMIT ______

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
July	9	#667 Smith & Smith	J1		561 00			Dr		561 00
	9	#A67 W.T. Jacks	J2		393 00			Dr		954 00
	9	#1113 M.M. Meats	J2		533 00			Dr		1487 00
	25	#1213 M.M. Meats	J4		193 00			Dr		1680 00
	25	#1014 Smith & Smith	J4		390 00			Dr		2070 00

FAB7



ACCOUNT NO.
NAME Expenses
ADDRESS
SHEET NO. 50
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19—										
July	9	Casual Help	J2		4 00			Dr		4 00
	19	Truck Repairs	J3		15 00			Dr		19 00
	19	Power Bill	J3		27 93			Dr		46 93
	23	Supplies	J4		39 16			Dr		86 09
	29	Gas - Truck	J4		27 00			Dr		113 09
	31	Telephone Bill	J5		31 00			Dr		144 09

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB7 TAKING THE TRIAL BALANCE

CASE FAB7 - 1

BILL DURAN CHECKS HIS BOOKS

Bill Duran has operated the Middle Rapids Trading and General Store for almost a month. He bought the store on July 5 and opened for business on July 9. Now on July 31 Bill was curious as to whether or not the business had made or lost money.

On July 5 Bill had started a bookkeeping system. Although he had intended to keep all his books up to date, he found that he was unable to post the Ledger accounts everyday because of the many jobs he had to do. He had however, kept his Journal up to date. In order to find out if the business was making or losing money he would now have to post the Ledger accounts (which he had not posted since July 9).

Following are the Journal pages for the dates July 5 to July 31, and the Ledger accounts opened to date. Post the Ledger accounts for the Journal entries up to and including July 31.

Question for Discussion

1. What can Bill Duran do to make sure his posting is accurate?

FAB7

Journal Page 1.

DATE		DESCRIPTION	POST REF.	DEBIT	CREDIT
19	–				
July	5	Cash	1	1650 00	
July	5	Land	10	300 00	
July	5	Building	12	1500 00	
July	5	Equipment &	14		
		Fixtures		1250 00	
July	5	Truck	15	850 00	
July	5	Loan - government	30		4800 00
July	5	Investment - B. Nuron	35		750 00
		(Opening Entries)			
July	6	Freezer	14	375 00	
July	6	Cash	1		375 00
July	6	Meat Cooler	14	415 00	
July	6	Cash	1		415 00
July	6	Cash Register	14	205 00	
July	6	Cash	1		205 00
July	6	Shelves	14	175 00	
July	6	Cash	1		175 00
July	6	Cash	1	2200 00	
July	6	Loan - government	30		2200 00
		Addition to original			
		loan			
July	9	Cash	1	71 33	
July	9	Sales	40		71 33
July	9	Purchases	45	561 00	
July	9	Cash	1		561 00
		Smith and Smith			
		#667			
				9552 33	9552 33

Journal Page 2

DATE		DESCRIPTION	POST REF.	DEBIT	CREDIT
		Balance Forward		9552 33	9552 33
July	9	Purchases	45	393 00	
July	9	Cash	1		393 00
		W.T. Jacks #A67			
July	9	Purchases	45	533 00	
July	9	Cash	1		533 00
		M.M. Meats #1113			
July	9	Freight	44	26 00	
July	9	Cash	1		26 00
		T.C. Freight Ltd.			
July	9	Expenses	50	4 00	
July	9	Cash	1		4 00
		Casual help			
July	9	Investment	35	5 00	
July	9	Cash	1		5 00
		Drawing			
July	10	Cash	1	61 71	
July	10	Sales	40		61 71
July	11	Cash	1	110 18	
July	11	Sales	40		110 18
July	12	Cash	1	93 12	
July	12	Sales	40		93 12
July	13.	Cash	1	111 12	
July	13.	Sales	40		111 12
				10889 46	10889 46

FAB7

Journal Page 3.

DATE		DESCRIPTION	POST REF	DEBIT	CREDIT
		Balance Forward		10889 46	10589 46
July	16	Cash	1	60 01	
July	16	Sales	40		60 01
July	16	Loan government	30	100 00	
July	16	Cash	1		100 00
		[Loan Payment]			
July	17	Cash	1	31 05	
July	17	Sales	40		31 05
July	18	Cash	1	316 91	
July	18	Sales	40		316 91
July	19	Cash	1	93 05	
July	19	Sales	40		93 05
July	19	Expenses	50	15 00	
July	19	Cash	1		15 00
		[Repairs on Truck]			
July	19	Expenses	50	27 93	
July	19	Cash	1		27 93
		[Power Bill]			
July	20	Cash	1	105 93	
July	20	Sales	40		105 93
July	22	Cash	1	206 19	
July	22	Sales	40		206 19
July	23	Cash	1	191 11	
July	23	Sales	40		191 11
				12036 64	12036 64

FAB7

Journal Page 4

CASE

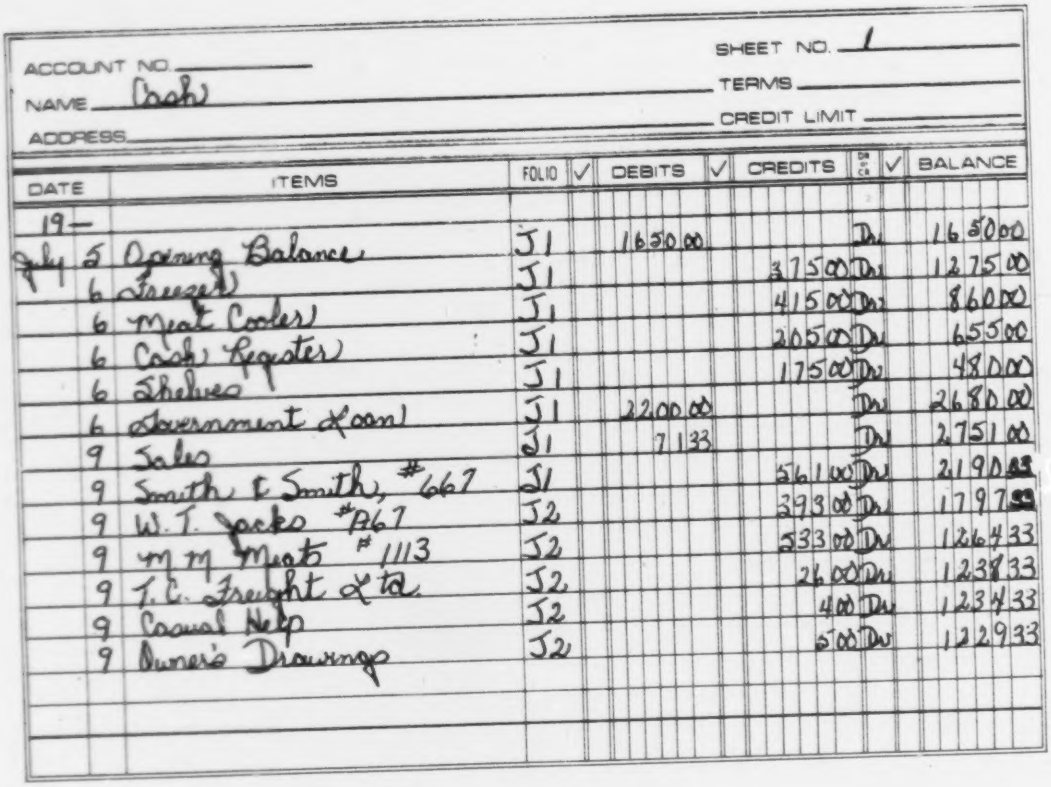
DATE		DESCRIPTION	POST. REF.	DEBIT	CREDIT
		Balance Forward		12036 64	12036 64
July	23	Expenses	50	39 16	
July	23	Cash	1		39 16
		Supplies			
July	24	Cash	1	175 11	
July	24	Sales	40		175 11
July	25	Cash	1	301 19	
July	25	Sales	40		301 19
July	25	Purchases	45	193 00	
July	25	Cash	1		193 00
		M.M. Meats #1213			
July	25	Purchases	45	390 00	
July	25	Cash	1		390 00
		Smith and Smith			
		#1014			
July	25	Freight	44	17 00	
July	25	Cash	1		17 00
		T.C. Freight Ltd.			
July	28	Cash	1	199 10	
July	28	Sales	40		199 10
July	29	Cash	1	213 00	
July	29	Sales	40		213 00
July	29	Expenses	50	27 00	
July	29	Cash	1		27 00
		gas for truck			
				13591 20	13591 20

FAB7

Journal Page 5

DATE		DESCRIPTION	POST REF.	DEBIT	CREDIT
		Balance Forward		13591 20	13591 20
July	30	Cash	1	319 00	
July	30	Sales	40		319 00
July	31	Cash	1	326 00	
July	31	Sales	40		326 00
July	31	Expenses	50	31 00	
July	31	Cash	1		31 00
		Telephone Bill			

FAB7



ACCOUNT NO.
NAME Cash
ADDRESS
SHEET NO. 1
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19—										
July	5	Opening Balance	J1		1650 00			Dr		1650 00
	6	Freezer	J1				375 00	Dr		1275 00
	6	Meat Cooler	J1				415 00	Dr		860 00
	6	Cash Register	J1				205 00	Dr		655 00
	6	Shelves	J1				175 00	Dr		480 00
	6	Government Loan	J1		2200 00			Dr		2680 00
	9	Sales	J1		71 33			Dr		2751 00
	9	Smith & Smith, #667	J1				561 00	Dr		2190 33
	9	W.T. Jacks #A67	J2				393 00	Dr		1797 33
	9	M M Meats #1113	J2				533 00	Dr		1264 33
	9	T.C. Freight Ltd.	J2				26 00	Dr		1238 33
	9	Casual Help	J2				4 00	Dr		1234 33
	9	Owner's Drawings	J2				5 00	Dr		1229 33

FAB7

ACCOUNT NO. ______ SHEET NO. 2

NAME Cash TERMS ______

ADDRESS ______ CREDIT LIMIT ______

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE

FAB7

CASE

ACCOUNT NO. ________

SHEET NO. 10

NAME Land

TERMS ________

ADDRESS ________

CREDIT LIMIT ________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
July	5	Opening Balance	J1		300 00			Dr		300 00

FAB7

ACCOUNT NO.
SHEET NO. 12
NAME Building
TERMS
ADDRESS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
July	5	Opening Balance	J1		1500 00			Dr		1500 00

FAB7

ACCOUNT NO. ____________ SHEET NO. 14

NAME Equipment & Fixtures TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
July	5	Opening Balance	J1		1250 00			Dr		1250 00
	6	Freezer	J1		375 00			Dr		1625 00
	6	Meat Cooler	J1		415 00			Dr		2040 00
	6	Cash Register	J1		205 00			Dr		2245 00
	6	Shelves	J1		175 00			Dr		2420 00

FAB7

ACCOUNT NO. ____________ SHEET NO. 15

NAME Truck TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
July	5	Opening Balance	J1		850 00			Dr		850 00

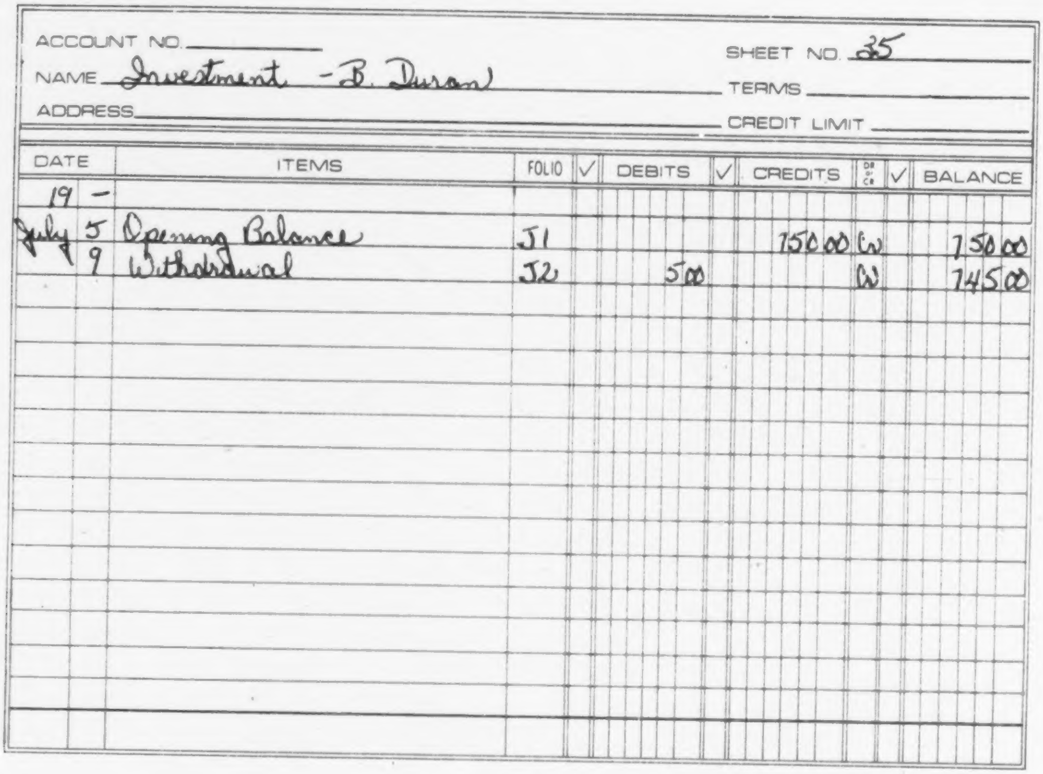
ACCOUNT NO. __________ SHEET NO. 30

NAME Loan - Government TERMS __________

ADDRESS __________ CREDIT LIMIT __________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
July	5	Opening Balance	J1				4800 00	Cr		4800 00
	6						2200 00	Cr		1000 00

FAB7



ACCOUNT NO. ________ SHEET NO. 35
NAME Investment - B. Duran TERMS ________
ADDRESS ________ CREDIT LIMIT ________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
July	5	Opening Balance	J1				750 00	Cr		750 00
	9	Withdrawal	J2		5 00			Cr		745 00

FAB7

CASE

ACCOUNT NO. __________

SHEET NO. 40

NAME Sales

TERMS __________

ADDRESS __________

CREDIT LIMIT __________

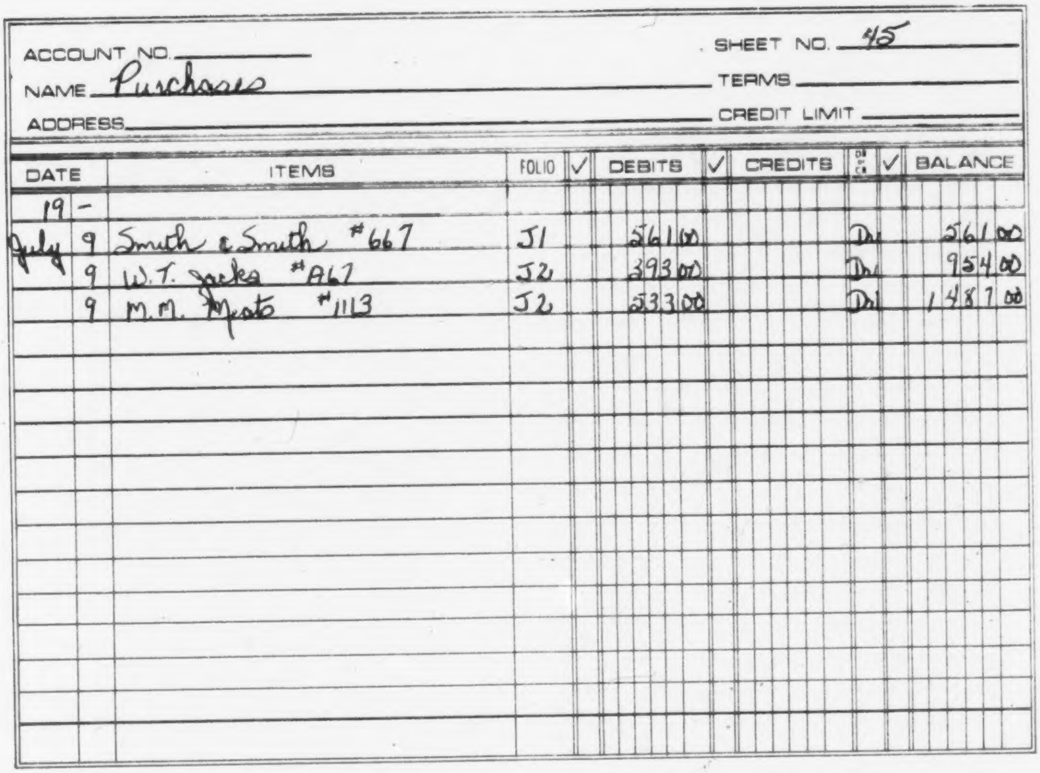
DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
July	9		51				71 33	Cr		71 33

FAB7

ACCOUNT NO. ____________
NAME Freight
ADDRESS ____________

SHEET NO. 44
TERMS ____________
CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
July	9	J.C. Freight Ltd	J2		26 00			Dr		26 00



ACCOUNT NO.
NAME Purchases
ADDRESS

SHEET NO. 45
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR OR CR	✓	BALANCE
19	–									
July	9	Smith & Smith #667	J1		561 00			Dr		561 00
	9	W.T. Jacks #A67	J2		393 00			Dr		954 00
	9	M.M. Meats #1113	J2		533 00			Dr		1487 00

FAB7

ACCOUNT NO. ____________
NAME Expenses
ADDRESS ____________
SHEET NO. 20
TERMS ____________
CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
July	9	Casual Help	J2		4 00			Dr		4 00

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB8 PREPARING THE WORK SHEET

INSTRUCTOR'S GUIDE

OVERVIEW

The Work Sheet is a device used during the closing process so that all accounts can be separated into two main categories:

1. Profit and Loss Statement accounts
   (The Revenue and Expenses)

2. Balance Sheet accounts
   (Assets and Liabilities)

In lesson FAB7, "Taking the Trial Balance", the student was shown how to prepare a Trial Balance by listing the balances of the accounts of the General Ledger. The Work Sheet extends the Trial Balance figures into either the Profit and Loss Statement columns or the Balance Sheet columns. All revenue and expense accounts are extended to the Profit and Loss Statement columns; all asset and liability accounts are extended to the Balance Sheet columns. The difference between the revenue and expenses entered in the Profit and Loss Statement columns is the net profit or loss from operations; this figure is extended to the Balance Sheet columns of the Work Sheet.

The Work Sheet is a scratch pad on which the businessman can calculate the results of the operations, determine the necessary adjusting entries and closing entries, and is a guide from which financial statements can be calculated. Because it is not a formal document like a Balance Sheet or Profit and Loss Statement, the work on it can be erased, crossed out, or recorded in pencil. The Work Sheet is a device used to collect and adjust information needed for the up-dating of the books of the business and is used as a guide in the preparation of formal financial statements.

FAB8

OBJECTIVE

Given a balanced Trial Balance, the student will be able to prepare a Work Sheet which contains the following:

1. A correct heading
2. Trial Balance figures which are totalled and double-ruled
3. Amounts in the Trial Balance correctly extended to the Profit and Loss section or the Balance Sheet section
4. Net profit or net loss correctly calculated and properly entered and ruled in the Profit and Loss section
5. Net profit or net loss properly extended to the Balance Sheet section
6. A Balance Sheet section balanced and properly ruled.

RESOURCES REQUIRED

1. The Trial Balance sheet from Case FAB7-1
2. Work Sheet paper.

METHODOLOGY

1. Hand out Readings.
2. Read the Purpose and Introduction and discuss.

PURPOSE

In this lesson you will learn how to prepare a Work Sheet from the information in the Trial Balance.

INTRODUCTION

Every businessman is interested in learning whether his transactions have increased or decreased his net worth. Although the basis for this information is contained in the Trial Balance, the amount of the increase or decrease in net worth is divided among many accounts. The next step in the bookkeeping process, therefore, is to analyze the Trial Balance. This analysis is used in the preparation of financial statements (Profit and Loss Statement and Balance Sheet) for the business.

OBJECTIVE: GIVEN A BALANCED TRIAL BALANCE, THE STUDENT WILL BE ABLE TO PREPARE A WORK SHEET WHICH CONTAINS THE FOLLOWING:

1. A CORRECT HEADING
2. TRIAL BALANCE FIGURES WHICH ARE TOTALLED AND DOUBLE-RULED
3. AMOUNTS IN THE TRIAL BALANCE CORRECTLY EXTENDED TO THE PROFIT AND LOSS SECTION OR THE BALANCE SHEET SECTION
4. NET PROFIT OR NET LOSS CORRECTLY CALCULATED AND PROPERLY ENTERED AND RULED IN THE PROFIT AND LOSS SECTION
5. NET PROFIT OR NET LOSS PROPERLY EXTENDED TO THE BALANCE SHEET SECTION
6. A BALANCE SHEET SECTION BALANCED AND PROPERLY RULED.

Stimulus

3. Ask the students to calculate how much net profit or net loss the Middle Rapids Trading and General Store made during the month of July.

Clarify Problem

4. Let the students attempt to figure out what net profit and net loss are and how to calculate them, before giving them the method of calculation. All the necessary information is contained in the Trial Balance.

   Net profit and net loss is calculated as follows:

   Sales - (Purchases + Freight + Expenses)

   a. If the result is a positive quantity, a net profit has resulted.

   b. If the result is a negative quantity, a net loss has resulted.

5. After calculating the net profit or net loss have the students determine what the net worth of the business is as of July 31.

NOTE: In the Case FAB7-1 the account for net worth is entitled "Investment - B. Duran". If an understanding of net worth is confused because of the difference in titles, the account "Investment - B. Duran" can be renamed "net worth".

When calculating net worth as of July 31st, the net profit or net loss for the accounting period must be entered into this section. In the content of the Readings the student is shown how to make the necessary entries. At this time the questions in point 3 and 4 are asked to create a need for a systematic approach to the preparation of financial statements.

Provide Information

6. Read Section 1 of the Readings and discuss. Point out that the Trial Balance used on a Work Sheet is prepared by following the steps outlined in FAB7.

CONTENT

1. The Work Sheet and It's Purpose

Although it is possible to prepare the financial statements directly from the Trial Balance, a more satisfactory and systematic method is to use a Work Sheet. A Work Sheet is a single sheet of analysis paper on which the businessman sorts and interprets the information of the Trial Balance. It is the bookkeeper's "scratch pad", as it were, on which he gathers together all the information necessary for financial statements. The Work Sheet simplifies the preparation of the statements by providing for the separation of Balance Sheet accounts from Operating accounts, providing a convenient place for calculating the net profit (total sales less purchases + expenses.)

As this sheet is for the bookkeeper's use only, he may work in pencil, make erasures, and set up information in any manner that he believes will enable him to complete the financial statements accurately and as quickly as possible.

Joe Mathew's Work Sheet for the period ending January 3, 19__ is shown on the following page. This is the simplest form of the Work Sheet and is sometimes referred to as a Working Trial Balance.

7. Read Section 2 of the Readings. Illustrate on the flip chart each step outlined in this section. The information in the example about Joe Mathew should be used.

Joe Mathew
Work Sheet for Period Ended January 3, 19—

ACCOUNT TITLE	LEDGER PAGE	TRIAL BALANCE DR.	TRIAL BALANCE CR.	P & L STATEMENT DR.	P & L STATEMENT CR.	BALANCE SHEET DR	BALANCE SHEET CR
Cash	1	769 25				769 25	
Land	10	400 00				400 00	
Building	15	700 00				700 00	
Equipment and Furniture	20	465 00				465 00	
Government Loan	30		1900 00				1900 00
Loan from father-in-law	31		150 00				150 00
Own Money	40		775 00				775 00
Sales	45		125 33		125 33		
Purchases	60	87 32		87 32			
Expenses	80	28 76		28 76			
		2450 00	2450 00	116 08	125 33	2834 25	2825 00
Net Profit (Loss)				9 25			9 25
				125 33	125 33	2834 25	2834 25

2. How to Prepare the Work Sheet

a. The Heading on the Work Sheet

The heading states the name of the business and the date of the end of the period covered by the Work Sheet.

Example:

Joe Mathew
Work Sheet
for the period ended January 3, 19__

b. Filling in the Trial Balance Section

(1) List the Ledger accounts by name and number.
(2) Enter the balances in the Trial Balance columns of the Work Sheet.
(3) Indicate the addition of the amounts by a single-ruled line.
(4) Indicate the completion of this part of the Work Sheet by a double-ruled line immediately below the Trial Balance totals.

NOTE: The information on the first columns of Joe Mathew's Work Sheet -- the Account Title, Ledger Page and Trial Balance -- is exactly the same as the information in the Trial Balance prepared in Lesson FAB7, "Taking a Trial Balance".

Often the original Trial Balance is entered directly on the Work Sheet (instead of first being entered on a sheet of Journal paper and then being copied on the Work Sheet.)

c. Filling Out the Balance Sheet Section

At the end of a certain period of time, a report is prepared to show the assets (what is owned), the liabilities (what is owed), and the net worth (what the business is worth). This report (showing the assets, liabilities and net worth on a certain date) is known as the Balance Sheet.

(1) Extend the amount of each asset, liability and net worth account from the Trial Balance.

Debit or credit amounts go to the same debit and credit column in the Balance Sheet columns.

Example:
Joe extended the following accounts from the Trial Balance columns to the Balance Sheet columns:

Account Title	Balance Sheet Dr.		Balance Sheet Cr.	
Cash	769	25		
Land	900	00		
Building	700	00		
Equipment & Furniture	465	00		
Government Loan			1,900	00
Loan from father-in-law			150	00
Own money			775	00

d. Preparing the Profit and Loss Section

At the end of a certain period, a report is prepared to show: the sales, the expenses paid, the purchases of merchandise and whether or not a profit was made during the period. This report (showing the income from sales, the cost of purchases, and the expenses during the period) is known as the Profit and Loss Statement (P & L Statement for short.)

If the income from sales is less than the cost of purchases plus expenses, the business has received a net loss.

If the income from sales is larger than the cost of purchases plus expenses you have made a net profit for the period.

To sort out the items for the Profit & Loss Statement:

(1) Extend the amount of sales, purchases, and expenses to the proper column in the Profit & Loss Statement
(2) Put the amounts in the proper debit or credit columns of the Work Sheet.

Example:
Joe extended the following accounts to the Profit & Loss Statement columns of his Work Sheet.

	P & L Statement			
Account Title	Dr.		Cr.	
Sales			125	33
Purchases	87	32		
Expenses	28	76		

e. Determining the Profit or Loss
Add the profit and loss columns. The difference between the totals of these columns represents either the profit or the loss made by the business.

(1) If the total of the credit column exceeds the total of the debit column, a profit has been made. The amount of this profit is then entered below the total of the debit column so that when added to it the two totals will be equal.

(2) If the total of the debit column exceeds the total of the credit column, a loss has been suffered during this period. In this case, the amount of the loss is entered below the total of the credit column so that when added to it, the totals of the two columns will be equal.

Example:
Joe Mathew's Work Sheet shows that he had a profit for the period that ended January 3, 19__. The profit was $9.25.

	P & L Statement			
Account Title	Dr.		Cr.	
Sales			125	33
Purchases	87	32		
Expenses	28	76		
	116	08	125	33
	9	25		
	125	33	125	33

f. Finishing the Balance Sheet columns

(1) Add the Balance Sheet columns.

(2) If a profit has been made, enter the amount of the net profit below the total of the credit column (because it represents the increase to the net worth for the period).

(3) If a loss has been suffered, enter the amount of the net loss below the total of the debit column.

If the totals of the two Work Sheet columns are equal when the profit or loss is added to the proper column then the Work Sheet is mathematically correct.

Example:
Below is the Balance Sheet section of Joe Mathew's Work Sheet.

Account Title	Balance Sheet Dr.		Cr.	
Cash	669	25		
Land	900	00		
Building	700	00		
Equipment & Furniture	465	00		
Government Loan			1,900	00
Loan from father-in-law			150	00
Own Money			775	00
	2,834	25	2,825	00
			9	25
	2,834	25	2,834	25

8. Read Section 3 of the Readings and discuss.

3. Summary

The Work Sheet serves as the bookkeeper's scratch pad. On the Work Sheet you can check the accuracy of the posting of your books by preparing a Trial Balance. Then using this Trial Balance you can sort and prepare the information for your financial statements, (Profit and Loss Statement and Balance Sheet). In the next lesson you will learn to prepare financial statements from the Work Sheet.

Indicator

9. Hand out Work Sheet paper to the students.

10. Instruct the students to prepare a Work Sheet for the Middle Rapids Trading and General Store as of July 31, using the information contained in the Trial Balance prepared for Case FAB7-1.

NOTE: The Work Sheet must meet the following criteria:

1. A correct heading
2. Trial Balance figures which are totalled and double-ruled
3. Amounts in the Trial Balance correctly extended to the Profit and Loss section or the Balance Sheet section
4. Net profit or net loss correctly calculated and properly entered and ruled in the Profit and Loss section
5. Net profit or net loss properly extended to the Balance Sheet section
6. A Balance Sheet section balanced and properly ruled.

Middle Rapids Trading and General Store
Work Sheet for Period Ended July 31, 19—

ACCOUNT TITLE	LEDGER PAGE	TRIAL BALANCE DR.	TRIAL BALANCE CR.	P.L STATEMENT DR.	P.L STATEMENT CR.	BALANCE SHEET DR.	BALANCE SHEET CR.
Cash	1	3303 02				3303 02	
Land	10	300 00				300 00	
Building	12	1500 00				1500 00	
Equipment and						2420 00	
Fixtures)	14	2420 00				850 00	
Truck	15	850 00					
Loan-government	30		6900 00				6900 00
Investment B. Duron	35		745 00				745 00
Sales	40		2985 11		2985 11		
Freight	44	43 00		43 00			
Purchases	45	2070 00		2070 00			
Expenses	50	144 09		144 09			
		10630 11	10630 11	2257 09	2985 11	8373 02	7645 00
Net Profit (Loss)				728 02			728 02
				2985 11	2985 11	8373 02	8373 02

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB9 ELEMENTARY PROFIT AND LOSS STATEMENT

INSTRUCTOR'S GUIDE

OVERVIEW

The previous FAB lessons dealt with the recording of business transactions as well as the controls used to check the accuracy of the recording. This lesson and the one following (FAB10) show the student how to prepare the financial statements that are used to summarize the business activities over a given period of time. This lesson deals with the Profit and Loss Statement; the next lesson deals with the Balance Sheet.

A Profit and Loss Statement is a classified summary of the revenues and expenditures of a business over a stated period of time. The Profit and Loss Statement will show the profit or loss resulting from the operations during this period. The revenues would be earned from sales or other operations. The expenditures would be for the purchase of merchandise for resale and for expenses of operating the business during the stated period of time.

A Profit and Loss Statement allows the manager of a business to see how much he spent on purchasing merchandise for resale, how much he spent on expenses during the period, and what the resulting profit or loss was. In this lesson the student is shown how to prepare the Profit and Loss Statement. In later lessons the student is shown how to use the Profit and Loss Statement to analyze past operations and help plan for future operations.

OBJECTIVE

Using a properly completed Work Sheet, the student will be able to prepare a Profit and Loss Statement. The Profit and Loss Statement will be evaluated on the following criteria:

1. It contains a heading which states the who, what, and when.
2. Sources of revenue are identified in the revenue section of the statement. All sources are totalled and the total identified as total revenue.
3. Expenditures are identified in either the cost of goods sold section or the expenses section of the Profit and Loss Statement.
4. Total expenditures are subtracted from total revenue and the difference is entitled either net profit or net loss.
5. All entries conform to the data given.
6. Writing is legible.

RESOURCES REQUIRED

1. Middle Rapids Trading and General Store Work Sheet for the period ended July 31, 19__, prepared in FAB8.
2. Exercise FAB9-1,"Steve's Outfitting"
3. Projectuals:
   a. FAB9-1, "Profit and Loss Statement" (black background with windows cut out - no overlay)
   b. FAB9-2, "Profit and Loss Statement" (shows stacks of dollar bills - has folding cardboard doors.)
   c. FAB9-3, "Profit and Loss Statement" (black background with large circle in centre - has 3 overlays)
   d. FAB9-4, "Standard Form of a Profit and Loss Statement"

METHODOLOGY

1. Hand out Readings.
2. Read Purpose and Introduction and discuss.

PURPOSE

In this lesson you will be shown how to prepare a Profit and Loss Statement from the information on the Work Sheet.

INTRODUCTION

One of the principal reasons for operating a business is to make a profit. In the case of a business that is owned and operated by one man, this profit represents the owner's income or earnings from the business. Therefore, it is necessary that there be a method of finding the exact profit made during a particular period of time.

OBJECTIVE: USING A PROPERLY COMPLETED WORK SHEET, THE STUDENT WILL BE ABLE TO PREPARE A PROFIT AND LOSS STATEMENT. THE PROFIT AND LOSS STATEMENT WILL BE EVALUATED ON THE FOLLOWING CRITERIA:

1. IT CONTAINS A HEADING WHICH STATES THE WHO, WHAT, AND WHEN.
2. SOURCES OF REVENUE ARE IDENTIFIED IN THE REVENUE SECTION OF THE STATEMENT. ALL SOURCES ARE TOTALLED AND THE TOTAL IDENTIFIED AS TOTAL REVENUE.
3. EXPENDITURES ARE IDENTIFIED IN EITHER THE COST OF GOODS SOLD SECTION OR THE EXPENSES SECTION OF THE PROFIT AND LOSS STATEMENT.
4. TOTAL EXPENDITURES ARE SUBTRACTED FROM TOTAL REVENUE AND THE DIFFERENCE IS ENTITLED EITHER NET PROFIT OR NET LOSS.
5. ALL ENTRIES CONFORM TO THE DATA GIVEN.
6. WRITING IS LEGIBLE.

Stimulus

3. Ask the students how they would calculate the profit or loss a business made in any accounting period. Discuss.

Clarify Problem

4. Read Section 1 of the Readings and discuss.

CONTENT

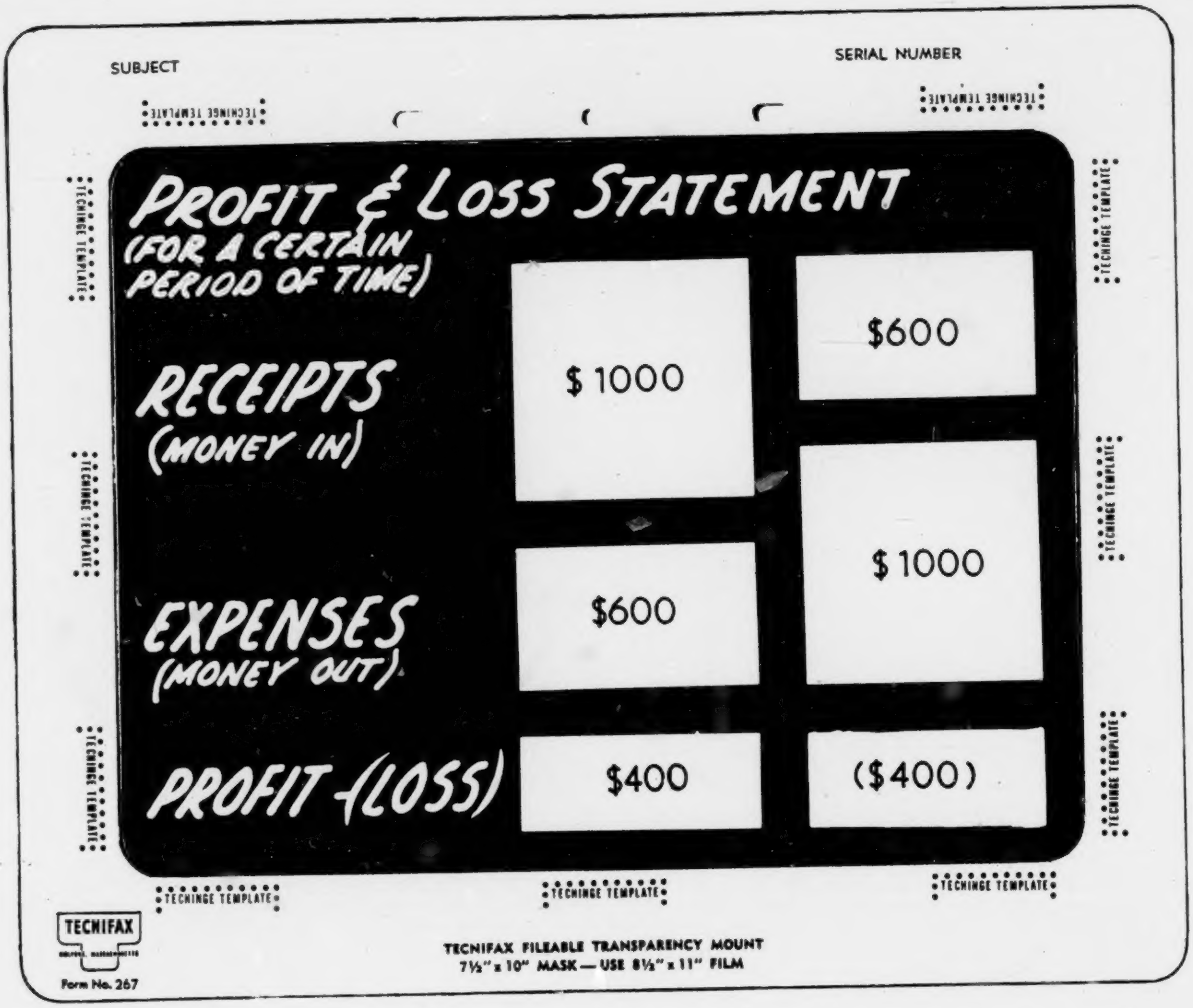
1. What is a Profit and Loss Statement?

The Profit and Loss Statement summarizes the revenues and expenses of the business for a stated period, and shows the net profit or loss. It is sometimes also called an Income Statement or a Revenue Statement.

Provide Information

5. Show Projectuals FAB9-1 to FAB9-3 and explain as follows:
   a. Show Projectual FAB9-1. Point out:
      (1) the Profit and Loss Statement shows revenues and expenses FOR A CERTAIN PERIOD OF TIME.
      (2) Cover the right-hand part of the projectual, then point out: If revenues (money coming in) are bigger than expenses (money going out) you will have a profit.
      (3) Now show the right-hand side of the projectual to illustrate the business can also have a loss.
      (4) Give other examples on the flip chart if necessary.
   b. Show Projectual FAB9-2 starting from the left-hand side and going to the right-hand side. This projectual introduces the concept of GROSS PROFIT. Explain the projectual by giving examples on the flip chart.
   c. Show Projectual FAB9-3 (which is a circle graph representation of a Profit and Loss Statement, illustrating all parts of the Statement.) Again give examples on the flip chart.
6. Read Section 2 of the Readings. Discuss and view Projectuals FAB9-1 to FAB9-3 again.

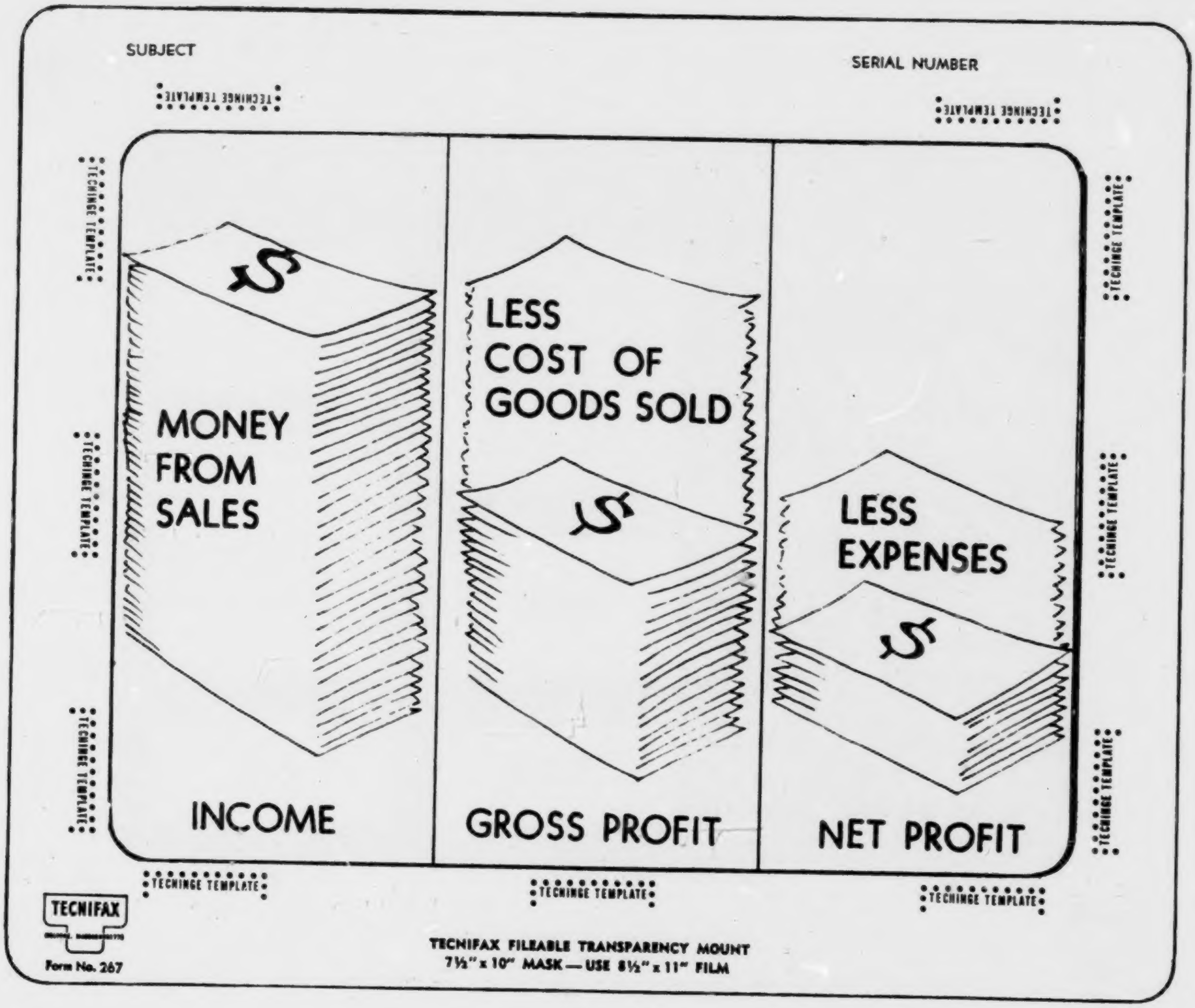
FAB9-1 PROFIT AND LOSS STATEMENT


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

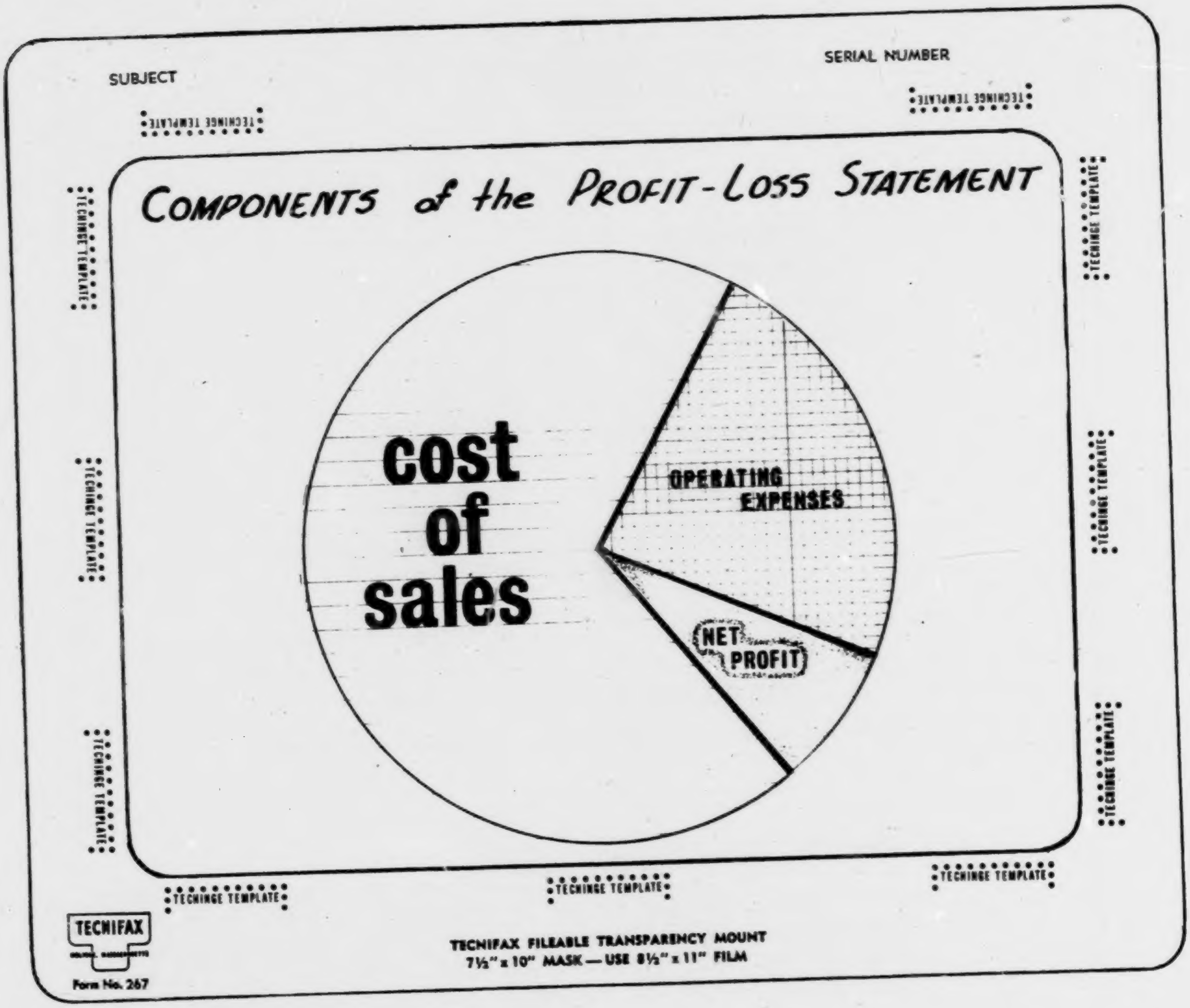
PROFIT & LOSS STATEMENT
(FOR A CERTAIN PERIOD OF TIME)

RECEIPTS (MONEY IN)	$ 1000	$600
EXPENSES (MONEY OUT)	$600	$ 1000
PROFIT -(LOSS)	$400	($400)

FAB9-2 PROFIT AND LOSS STATEMENT


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
MONEY FROM SALES
$
INCOME
LESS COST OF GOODS SOLD
$
GROSS PROFIT
LESS EXPENSES
$
NET PROFIT
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

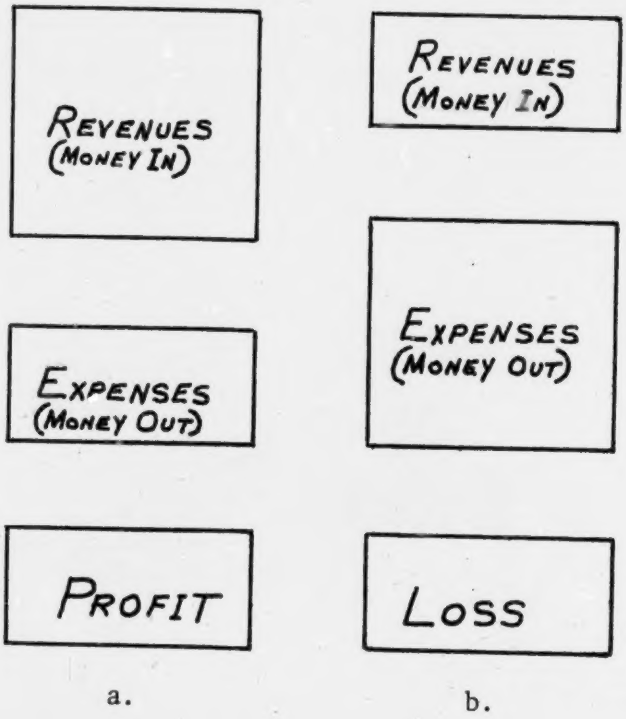
FAB9-3 PROFIT AND LOSS STATEMENT



2. What is Recorded in a Profit and Loss Statement?

The revenues of the business, as well as the expenses incurred in obtaining these revenues, are recorded in the Profit and Loss Statement. The net profit or loss of the business is shown on the Statement

Profit and Loss Statement
(For a certain period of time)


REVENUES
(MONEY IN)
EXPENSES
(MONEY OUT)
PROFIT
a.
REVENUES
(MONEY IN)
EXPENSES
(MONEY OUT)
LOSS
b.

a. When the Business Makes a Profit
In part a of the above illustration, you can see that more money came into the business (revenue) than was paid out (expenses). By subtracting the expenses from the revenues you can see that a profit was made. Whenever the revenues are greater than the expenses, a profit will result.

For example, if the revenues of a business were $100.00 and that business paid out $75.00 in expenses during a one-day period, the result would be a profit of $25.00.

	Revenues	$100.00
Less	Expenses	75.00
	Profit	$ 25.00

b. When the Business Suffers a Loss
In part b of the illustration on the previous page you can see that more money was paid out (expenses) than came into the business (revenues). The result would be a loss on business activities for the period of time being examined.

If the revenues were $75.00 over a period of one-day and that business paid out $100.00 in expenses, the result would be a loss of $25.00.

	Revenues	$ 75.00
Less	Expenses	100.00
	Loss	$ 25.00

7. Read Sections 3 and 4 of the Readings. When reading Section 4, illustrate the method of preparing each section of the Profit and Loss Statement by doing (and explaining) the example in the Readings. Point out where the information is obtained from the Work Sheet.

3. Preparing the Profit and Loss Statement

The Profit and Loss Statement is prepared from the information contained in the Profit and Loss Statement columns of the Work Sheet. The Profit and Loss Statement section of Joe Mathew's Work Sheet is shown below:

Joe Mathew
Work Sheet
for the period ended January 3, 19__

Account Titles	Ledger Page	Trial Balance Dr.	Trial Balance Cr.	P & L Statement Dr.	P & L Statement Cr.
Sales	45		125.33		125.33
Purchases	60	87.32		87.32	
Expenses	80	28.76		28.76	
		2950.33	2950.33	116.08	125.33
Net Profit or Loss				9.25	
				125.33	125.33

Joe Mathew's Profit and Loss Statement prepared from the Work Sheet on the previous page is shown below:

Joe Mathew
Profit and Loss Statement
for period ended January 3, 19__

Revenues			
Sales		$125.00	
Total Revenues			$125.33
Cost of Goods Sold			
Inventory (beginning)	$ -0-		
Purchases	87.32		
Freight	-0-		
Cost of Goods Available for Sale		87.32	
Less: Inventory (ending)		-0-	
Cost of Goods Sold			87.32
Gross Profit			$ 38.01
Expenses			28.76
Net Profit			$ 9.25

4. The Parts of the Profit and Loss Statement

Each Profit and Loss Statement covers a certain period of time called the "accounting period". This certain period of time or accounting period can vary from a day to a year. Profit and Loss Statements should be prepared at least once a year and it would be useful to prepare them quarterly (every three (3) months) or semi-annually (twice a year).

a. The Heading

The heading of the Profit and Loss Statement must contain the following information:

(1) Name of the business
(2) Name of the statement
(3) Accounting period the statement is prepared for.

For example, Joe Mathew's heading would be:

Joe Mathew
Profit and Loss Statement
for period ended January 3, 19__

b. The Revenue Section

The first section of the Profit and Loss Statement is called the Revenue Section. It is entitled "Revenue". In this section you write the name of each revenue account and the amount of revenue received from each account. You then add the amounts, and the total is called "Total Revenues".

Revenue		
Sales	$125.33	
Total Revenues		$125.33

Many times there are more than one type of revenue. Some of these could be:

(1) Credit Sales
(2) Sale of Assets
(3) Sale of Services.

c. Cost of Goods Sold Section

The next section is called the "Cost of Goods Sold" section. In the revenue section you could see how much was received from selling the product. In this section you can see how much it cost to purchase the products which were sold.

In order to determine the cost of the goods sold during a stated period you must know the following:

(1) How much merchandise did you have on hand at the beginning of the period? This is called Beginning Inventory.

(2) How much did you purchase during the period?

(3) How much did it cost you to have your purchases shipped in? This would be the amount of freight you had to pay.

(4) How much merchandise is on the shelves, in the storeroom, and in the warehouse at the end of the period? This is called Ending Inventory.

By adding the first three amounts (beginning inventory + purchases + freight) you can determine the Cost of Goods you had available for sale during the period. Next, by subtracting the ending inventory (the value of the goods you still have in the store and warehouse) you can determine how much it cost to purchase those goods that were sold during the period. An example of how the Cost of Goods Sold section is calculated is shown below:

Cost of Goods Sold

Inventory, beginning	$ -0-	
Purchases	87.32	
Freight	-0-	
Cost of Goods Available for Sale		$87.32
Less: Inventory, ending		-0-
Cost of goods sold		$87.32

In the above example you can see that there is no opening inventory. This means that at the beginning of the period the business had no merchandise at all. During the period it purchased merchandise costing $87.32. (The business did not pay anything to have the merchandise shipped from its suppliers.) All the merchandise that was available for sale was sold so that there was no ending inventory. The total cost of goods sold during the period was $87.32.

d. Expenses Section

The last section of the Profit and Loss Statement is called "Expenses". This section tells you how much it cost you to operate the business over the period of time for which the statement is prepared. At this stage in the course we will enter the expenses as one figure under the title "Expenses".

Expenses	$28.76

As you learn more about bookkeeping you will identify what these expenses are and then list them on the Profit and Loss Statement when calculating the expense section. Some of these expenses are:

(1) Employee Net Pay
(2) Employee Deductions
(3) Employer CPP and UIC
(4) Supplies, Postage, Stationery
(5) Light, heat, water
(6) Rent
(7) Interest paid on loans
(8) Repairs and Maintenance
(9) Telephone
(10) Advertising
(11) Taxes
(12) Depreciation expense
(13) Bad Debts expense

8. Show Projectual FAB9-4 and point out each section of the Profit and Loss Statement just prepared.

9. Read Section 5 of the Readings and discuss.

5. Types of Profit Shown on Profit and Loss Statement

In any business that engages in buying and selling there are two classes of profits -- the gross profit and the net profit.

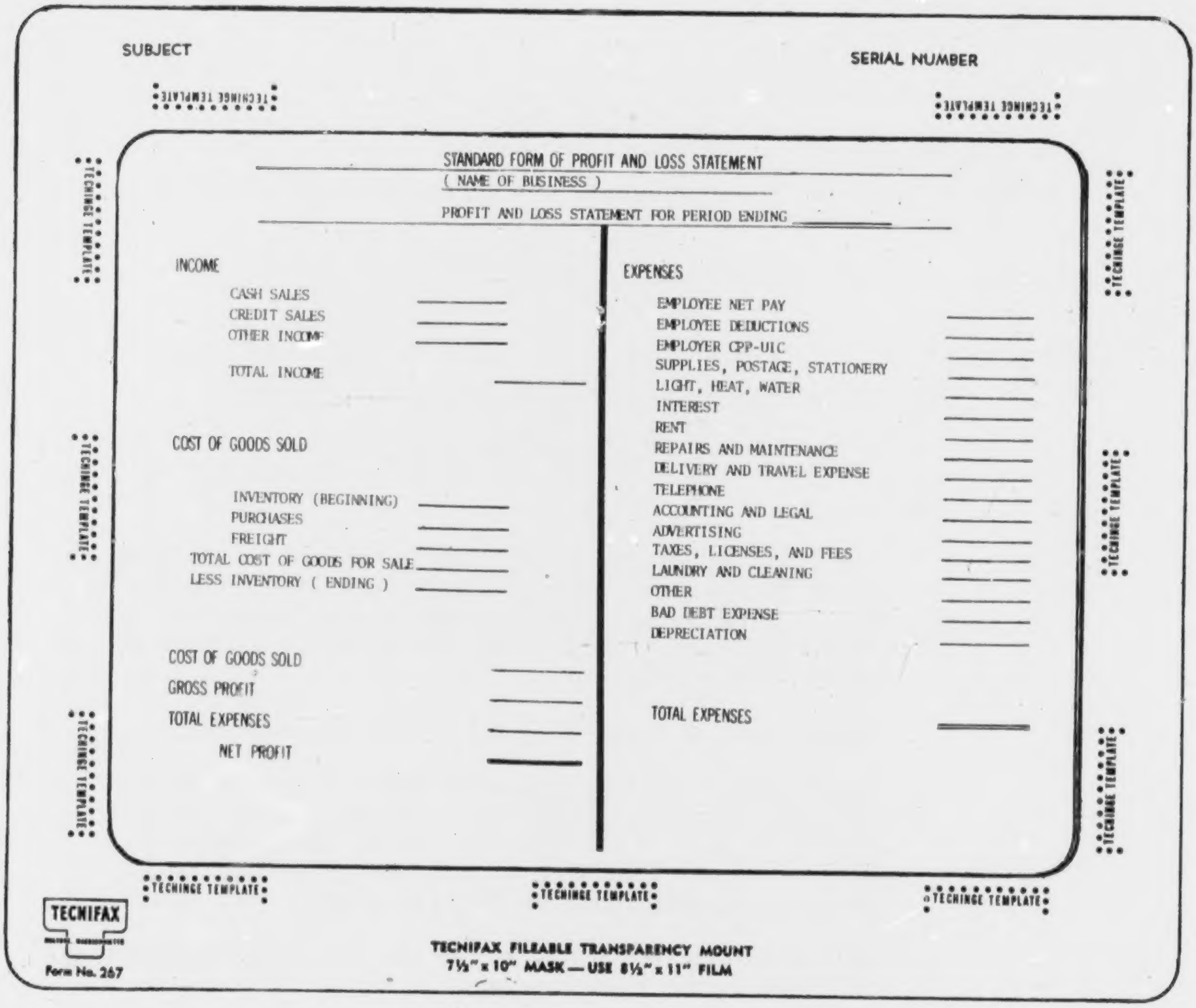
a. The Gross Profit is the difference between the selling price of the goods sold and the cost price of the goods sold. On the Profit and Loss Statement the selling price is the revenue section. The cost price is the cost of goods sold section.

Gross Profit = Total Revenues - Cost of Goods Sold

Gross profit shows you how much money is left from the revenues after paying for the goods sold. The gross profit is used to pay the expenses of the business plus other payments such as loan payments (principal only), purchase of additional assets, and money to the owner.

Calculation of the gross profit for Joe Mathew's business is shown on the following page.

FAB9-4 STANDARD FORM OF A PROFIT AND LOSS STATEMENT


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

STANDARD FORM OF PROFIT AND LOSS STATEMENT

(NAME OF BUSINESS)

PROFIT AND LOSS STATEMENT FOR PERIOD ENDING ________

INCOME

CASH SALES ________
CREDIT SALES ________
OTHER INCOME ________

TOTAL INCOME ________

COST OF GOODS SOLD

INVENTORY (BEGINNING) ________
PURCHASES ________
FREIGHT ________
TOTAL COST OF GOODS FOR SALE ________
LESS INVENTORY (ENDING) ________

COST OF GOODS SOLD ________
GROSS PROFIT ________
TOTAL EXPENSES ________
NET PROFIT ________

EXPENSES

EMPLOYEE NET PAY ________
EMPLOYEE DEDUCTIONS ________
EMPLOYER CPP-UIC ________
SUPPLIES, POSTAGE, STATIONERY ________
LIGHT, HEAT, WATER ________
INTEREST ________
RENT ________
REPAIRS AND MAINTENANCE ________
DELIVERY AND TRAVEL EXPENSE ________
TELEPHONE ________
ACCOUNTING AND LEGAL ________
ADVERTISING ________
TAXES, LICENSES, AND FEES ________
LAUNDRY AND CLEANING ________
OTHER ________
BAD DEBT EXPENSE ________
DEPRECIATION ________

TOTAL EXPENSES ________

Revenue			
Sales		$125.33	
Total Revenue			$125.33
Cost of Goods Sold			
Inventory, beginning	$ -0-		
Purchases	87.32		
Freight	-0-		
Cost of Goods Available for Sale		87.32	
Less: Inventory, ending		-0-	
Cost of goods sold			87.32
Gross Profit			$ 38.01

b. The Net Profit is the difference between the gross profit and the expenses of operating the business.

Net Profit = Gross Profit - Expenses

The net profit figure shows how much money was made during the period for which the statement is prepared. Remember that this is a Profit and Loss Statement -- it is possible for a loss to be shown for the period.

Calculation of the net profit on Joe Mathew's Profit and Loss Statement is done as shown below:

Gross Profit	$38.01
Expenses	28.76
Net Profit	$ 9.25

10. Read Section 6 of the Readings and discuss.

6. Summary

The Profit and Loss Statement shows whether you made money or lost money on your operations during a certain period of time.

There are three sections to a Profit and Loss Statement. They are:

a. Revenue
b. Cost of Goods Sold
c. Expenses.

You can calculate two kinds of profit:

a. Gross Profit
b. Net Profit.

Profits are not always made during a period of time; therefore, your statement may show a loss.

Indicator

11. Hand out Exercise FAB9-1 and have students do the assignment. Steve's Profit and Loss Statement is shown on the next page.

12. Have one of the students put his assignment on the flip chart. Discuss answers.

13. Instruct the students to prepare a Profit and Loss Statement for the Middle Rapids Trading and General Store as of July 31, 19__. The information for the statement is contained in the Work Sheet prepared in FAB8.

Additional information:

Inventory (beginning)	-0-
Inventory (ending)	-0-

Bill Duran expected a shipment on the morning of July 30, 19__ but due to shipping problems it didn't appear. Bill had not planned his merchandise supply well enough to be prepared for such an emergency. The result was that by 4 p.m. on July 31 Bill had absolutely nothing left to sell.

FAB9

Steve's Outfitting
Profit and Loss Statement
for period ending December 31, 19__

Revenue		
Camp	$22,500.00	
Store	4,000.00	
Total Revenues		$26,500.00
Cost of Goods Sold		
Inventory, beginning	$ 150.00	
Purchases	3,000.00	
Freight	310.00	
Cost of Goods Available for Sale	3,460.00	
Less: Inventory, ending	250.00	
Cost of Goods Sold		3,210.00
Gross Profit		$23,290.00
Expenses		
Wages	$10,080.00	
Advertising	500.00	
Repairs & Maintenance	1,200.00	
Cleaning & Laundry	300.00	
Supplies	7,100.00	
Other	700.00	
Total Expenses		19,880.00
Net Profit		$ 3,410.00

FAB9

Middle Rapids Trading and General Store
Profit and Loss Statement
for period ending July 31, 19__

Revenue		
Sales	$2,985.11	
Total Revenue		$2,985.11
Cost of Goods Sold		
Inventory, beginning	$ -0-	
Purchases	2,070.00	
Freight	43.00	
Cost of Goods Available for Sale	2,113.00	
Inventory, ending	-0-	
Cost of Goods Sold		2,113.00
Gross Profit		$ 872.11
Expenses		144.09
Net Profit		$ 728.02

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB9 ELEMENTARY PROFIT AND LOSS STATEMENT

EXERCISE FAB9 - 1

STEVE'S OUTFITTING BUSINESS

Steve Marleau runs a small outfitting operation from May to September. This past season one hundred and fifty (150) tourists stayed in his camp; each paid one hundred and fifty dollars ($150.00) for five (5) days. For this price Steve supplied a cabin, meals, a boat and a guide, but the tourists had to supply their own equipment.

Steve sold some groceries and fishing equipment to the tourists. He took in $4,000.00 from these sales.

Here is other information on Steve's operation:

Wages to help	$10,080.00
Purchases for year	3,000.00
Inventory at end of year	250.00
Freight on purchases	310.00
Advertising	500.00
Inventory at beginning of year	150.00
Repairs & maintenance	1,200.00
Cleaning and laundry	300.00
Other expenses	700.00
Supplies	7,100.00

Steve wanted to know how much he had made or lost for the year ending December 31, 19__.

Question for Discussion

1. Make up a Profit and Loss Statement for Steve's outfitting business.

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB10 ELEMENTARY BALANCE SHEET

INSTRUCTOR'S GUIDE

OVERVIEW

As already stated in Lesson FAB3, "What is a Business Worth?", the Balance Sheet represents what a business owns, what it owes, and the value of the investment of the owners. The items owned by the business are called assets. The claims of creditors owed by the business are called liabilities. The value of the investment of the owners (called owner's worth, net worth, equity, etc.) is the excess of assets over liabilities.

The Balance Sheet is a financial statement which lists the assets, liabilities and owner's worth of the business. It gives a picture of the financial position of the business at any one point in time. In fact, the Balance Sheet can be thought of as a photograph of the financial position of the business at some certain time, while the Profit and Loss Statement is a motion picture of the business activities over a period of time.

As was also stated in lesson FAB3, the Balance Sheet must always balance.

ASSETS = LIABILITIES & OWNER'S WORTH

In this lesson the student is shown how to use the information contained on the Work Sheet to prepare a Balance Sheet. In addition to reviewing much of the content of lesson FAB3, this lesson shows the student how to compile a more detailed owner's worth (net worth, etc.) section for the Balance Sheet.

OBJECTIVE

Given a Work Sheet containing a Balance Sheet section, the student will be able to correctly prepare a Balance Sheet.

FAB10

RESOURCES REQUIRED

1. Projectual FAB10-1, "What a Balance Sheet Means"
2. Projectual FAB10-2, "The Balance Sheet"
3. Exercise FAB10-1, "John LaPointe's Troubles"
4. Work Sheet from Case FAB8-1.

METHODOLOGY

1. Do not hand out the Readings at this point.

OBJECTIVE: GIVEN A WORKSHEET CONTAINING A BALANCE SHEET SECTION, THE STUDENT WILL BE ABLE TO CORRECTLY PREPARE A BALANCE SHEET.

Stimulus

1. Ask the students: "Once you are operating your business, how will you calculate how much it is worth in dollars at any particular time?" Write their suggestions on the flip chart.

Clarify Problem

2. Discuss the students' suggestions.

3. Mention that they need to be able to calculate how much their businesses are worth (in dollars) at any point in time. (For example, a bank manager will want to know this information before he gives a loan.)

   They can figure out how much their business is worth by calculating how much the business OWNS and how much it OWES. We call this making a BALANCE SHEET.

4. Hand out the Readings. Read over the Purpose and Introduction with the students and discuss.

PURPOSE

This lesson will show you how to prepare a Balance Sheet from the Work Sheet of the business.

INTRODUCTION

A Small Business owner is very interested in three areas of his business's operations:

1. How much the business OWNS.
2. How much the business OWES.
3. How much he (the owner) has invested in the business.

Provide Information

5. Read Sections 1 and 2 of the Readings and discuss.

CONTENT

1. What Is a Balance Sheet?

A Balance Sheet may look rather complicated but basically it is a simple statement about a business enterprise. Most businesses produce this statement at regular intervals showing what they own and what they owe.

A Balance Sheet is a statement of what a business owns and what it owes at a particular time.

2. Parts of a Balance Sheet

Although Balance Sheets may be set out in different ways they must always show the assets and the liabilities of the business.

a. Assets
The possessions of a business are called ASSETS. Assets include cash, land, buildings, manufacturing equipment and anything else that a business owns that can be given monetary value.

b. Liabilities
The various amounts of money that a business owes are called LIABILITIES.

To attain assets a business needs money which can be obtained from different sources. For instance, it may borrow from loan companies, banks, government agencies, or its owner(s).

Because the money that the business receives from its owner(s) (its owner-manager, the partners, or the shareholders) is provided for the life of the company, it will be repaid only if the business is terminated. Nevertheless, this money is still owed by the business, and is therefore part of the business's liabilities.

6. Now, to review the above Readings, show Projectuals FAB10-1 and FAB10-2 as follows:

   a. Using Projectual FAB10-1

      (1) Show static part of Projectual FAB10-1 and explain that assets are written on the left and liabilities on the right.

      (2) Show the first overlay, which illustrates what assets and liabilities mean. Mention that the dollar value of what the business OWNS and what it OWES are always in BALANCE.

      (3) Show second overlay and mention, "Your business cannot OWN more than it OWES."

      (4) Remove second overlay and show third overlay. Mention "Your business cannot OWE more than it OWNS."

      (5) Illustrate the statements in (3) and (4) above by pointing out that the business always receives something in return for its liabilities. For example:

         (i) If the business borrows money from the bank (liability), it receives cash (an asset) in return.

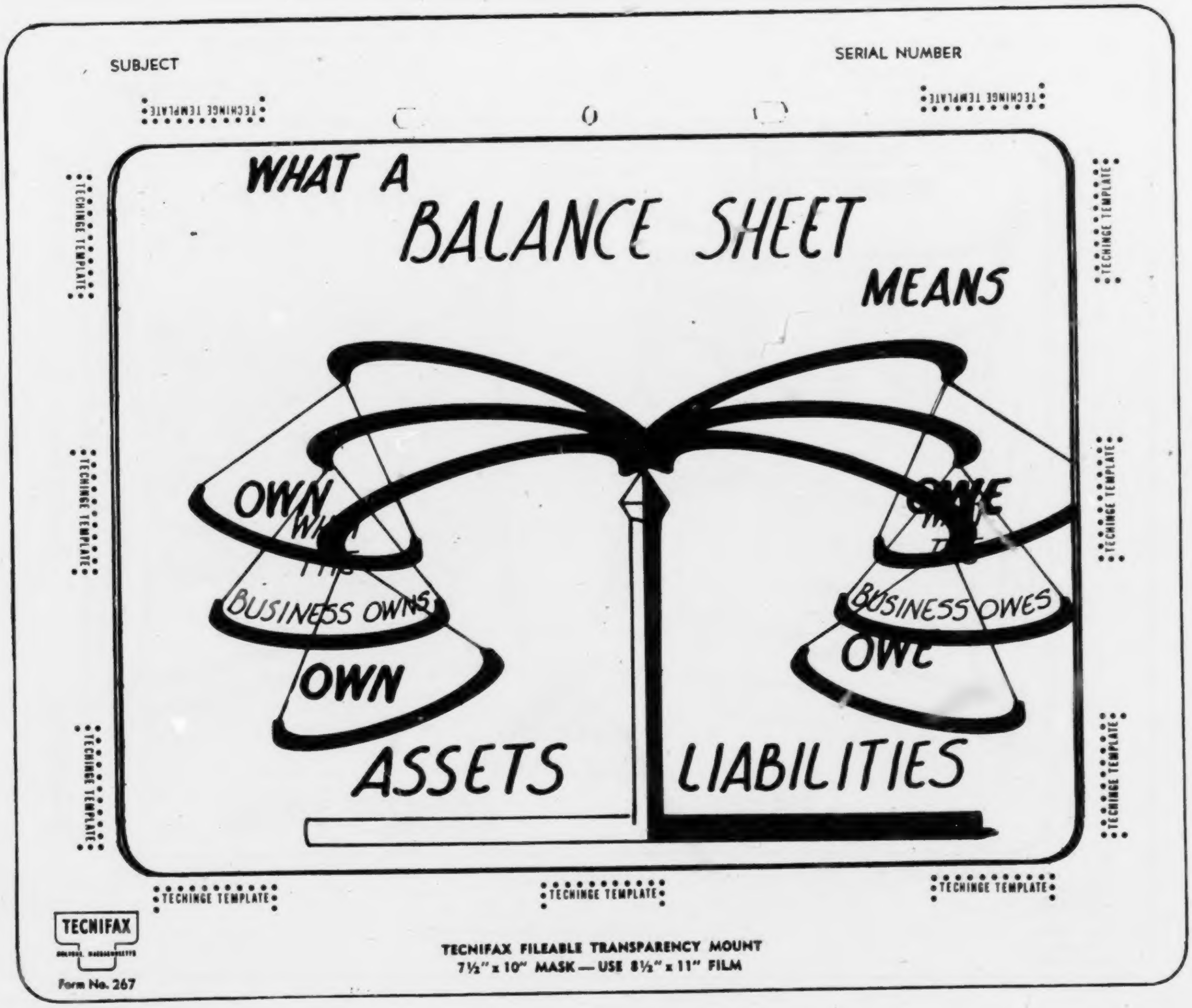
         (ii) If a business charges up stock at a wholesaler's (accounts payable liability), it receives inventory (an asset) in return.

         (iii) If the owners put their savings into the business, the business owes the owners this money (a liability), but the business got the cash (an asset) in return.

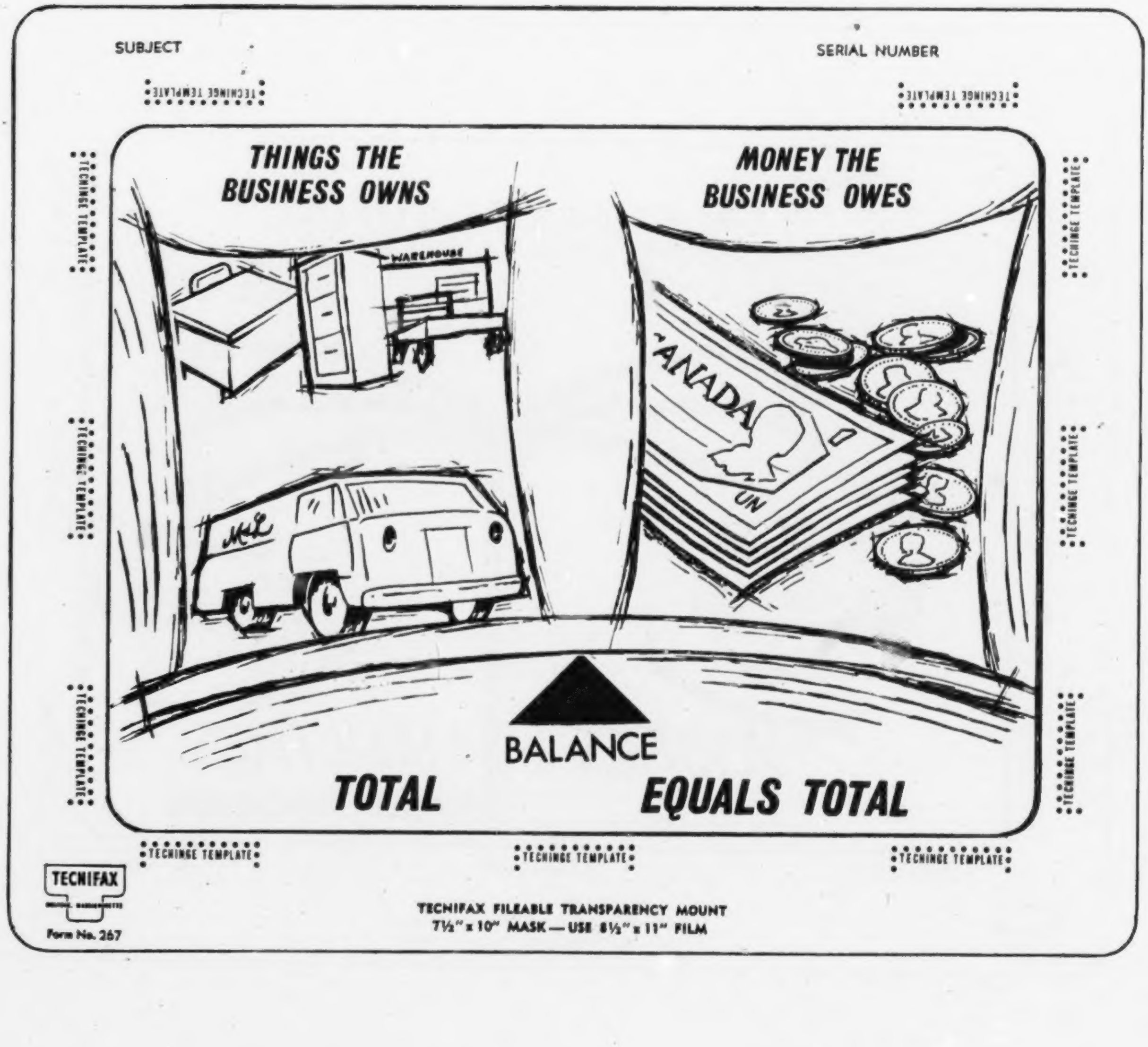
   b. Using Projectual FAB10-2

      (1) Show static part of projectual FAB10-2 and explain that assets are the physical things the business owns (expressed in their dollar value); liabilities are the money accounts that the business owes. Discuss.

FAB10-1 WHAT A BALANCE SHEET MEANS


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
WHAT A
BALANCE SHEET
MEANS
OWN
WHAT THE
BUSINESS OWNS
OWN
ASSETS
OWE
WHAT THE
BUSINESS OWES
OWE
LIABILITIES
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

FAB10-2 THE BALANCE SHEET


SUBJECT
SERIAL NUMBER
THINGS THE BUSINESS OWNS
WAREHOUSE
M&L
MONEY THE BUSINESS OWES
CANADA
BALANCE
TOTAL
EQUALS TOTAL
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

(2) Show the first overlay which empahsizes the point made above.

(3) Show the second overlay which emphasizes that assets and liabilities are always in balance. Discuss.

(4) Show the third overlay which completes the Balance Sheet Equation, that is, total assets equal total liabilities. Explain this equation by giving examples on the flip chart.

7. Read Sections 3, 4, 5 and 6 of the Readings. If necessary, refer back to Projectuals FAB10-1 and FAB10-2.

3. Looking At a Balance Sheet

Below is a Balance Sheet which shows the assets and liabilities of Joe Mathew as of January 3, 19__.

Joe Mathew
Balance Sheet
As of January 1, 19__

Assets		Liabilities & Net Worth		
Cash	$ 769.25	Liabilities		
Land	900.00	Loan, government	$1,900.00	
Building	700.00	Loan, father-in-law	150.00	
Equipment & Furniture	465.00	Total liabilities		$2,050.00
		Net Worth		
		Balance, beginning	300.00	
		Investment	500.00	
		Current Profit	9.25	
			809.25	
		Less: Owner's Drawings	25.00	
				784.25
Total Assets	$2,834.25	Total Liabilities & Net Worth		$2,834.25

Notice that both the assets and the liabilities are given a value in terms of money (monetary terms), and that the total assets equal the total liabilities.

4. Where Do We Obtain the Information for the Balance Sheet?

The Balance Sheet for a business is prepared from the Balance Sheet columns of the Work Sheet. On the following page is Joe Mathew's Work Sheet from which he prepared his Balance Sheet.

Notice that the net profit (loss) figure appears in both the Profit and Loss Statement columns and the Balance Sheet columns. In the previous two FAB lessons (FAB8 and FAB9) you saw how to calculate this figure for the purpose of the Profit and Loss Statement. This figure also appears in the Balance Sheet columns on the Balance Sheet because net profit is an increase in the net worth of the business, or in the case of a net loss, a decrease in the net worth.

The title, "Balance Sheet", comes from the fact that the total assets always equal the total liabilities; in other words, they balance each other.

5. Why Does a Balance Sheet Always Balance?

Let us see why the total assets and the total liabilities are in balance. Look again at Joe Mathew's Balance Sheet. The bank, the mortgage company, and the owners have all made money available to the business.

In other words, the liabilities on the Balance Sheet show what money has been made available to the business from various sources.

Now, a business obtains money with the idea of using it: for instance, to buy inventories. You are able to see how a business has employed or used its money by looking at the assets on the Balance Sheet.

The total liabilities, then, show what money has been made available to the company. The assets show how this money has been used or employed.

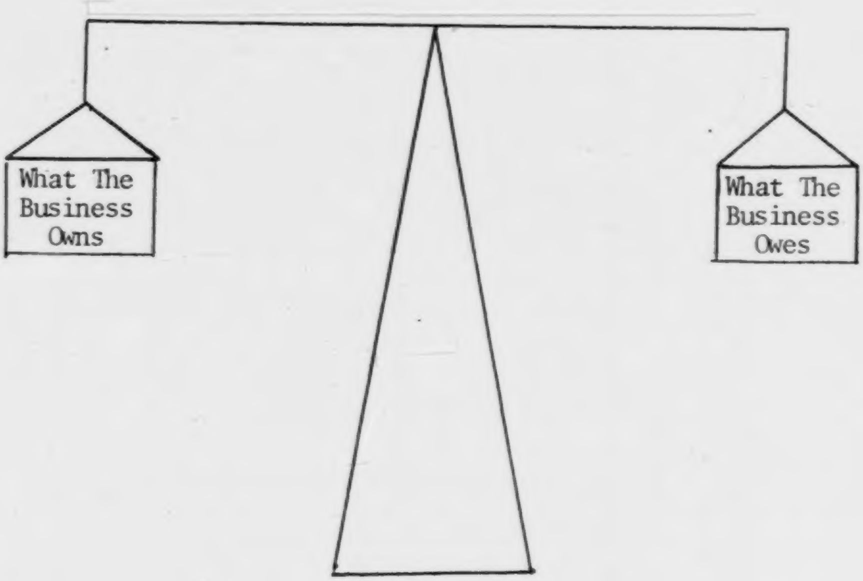
The total assets and the total liabilities will be equal because the liabilities show the money that has been made available to the business and the assets show how this money is used by the business.

Joe Mathews

Work Sheet for Period Ended January 3, 19—

ACCOUNT TITLE	LEDGER PAGE	TRIAL BALANCE DR.	TRIAL BALANCE CR	P + L STATEMENT DR	P + L STATEMENT CR.	BALANCE SHEET DR	BALANCE SHEET CR
Cash	1	769 25				769 25	
Land	10	900 00				900 00	
Building	15	700 00				700 00	
Equipment & Furniture	20	465 00				465 00	
Government Loan	30		1900 00				1900 00
Loan from Father-in-law	31		150 00				150 00
Own Money	40		775 00				775 00
Sales	45		125 33		125 33		
Purchases	60	87 32		87 32			
Expenses	80	28 76		28 76			
		2950 33	2950 33	116 08	125 33	2834 25	2825 00
Net Profit (Loss)				9 25			9 25
				125 33	125 33	2834 25	2834 25

a. What the Balance Sheet Means



6. Summary

To sum up, you can say that the Balance Sheet is a statement of the financial position of a business on a particular date.

A Balance Sheet gives two main groups of figures, the assets and the liabilities (which can be expressed in monetary terms).

The liabilities indicate what money has been made available to the business from different sources; the business owes this money.

The assets are what the business owns; they show how the business employed or used the money available.

The total assets and the total liabilities balance each other.

Indicator

8. Hand out Exercise FAB10-1, "John LaPointe's Troubles".

9. Instruct the students to answer the questions at the end of the exercise.

Suggestions for Answering the Questions

a. In answering question 1, it would be helpful to prepare Journal entries, Ledger accounts and a Work Sheet. See the following pages.

b. For question 2, a Balance Sheet for the business is shown.

c. Question 3 should be answered as follows: As of June 30, 19__ the business would owe each partner: Present net worth divided by number of partners, $\frac{\$2,500.00}{3} = \$833.33$.

10. After the students have completed the exercise, instruct them to prepare a Balance Sheet for the Middle Rapids Trading and General Store using the Work Sheet for the period ending July 31, which they prepared in lesson FAB8.

FAB10

JOURNAL ENTRIES

		Dr.	Cr.
Entry 1	Cash	1,500.00	
	Owner's Worth		
	John LaPointe		$ 500.00
	Sue LaPointe		500.00
	Larry LaPointe		500.00
Entry 2	Cash	7,000.00	
	Loan		7,000.00
Entry 3	Land	1,500.00	
	Buildings	3,000.00	
	Equipment	2,000.00	
	Cash		6,500.00
Entry 4	Equipment	500.00	
	Cash		500.00
Entry 5	Cash	4,000.00	
	Sales		4,000.00
Entry 6	Purchases	2,500.00	
	Cash		2,500.00
Entry 7	Expenses	500.00	
	Cash		500.00
Entry 8	Loan payment	150.00	
	Cash		150.00
		$26,650.00	$26,650.00

FAB10

Ledger Accounts

Cash

Entry	Dr.	Cr.	Balance	
1	1,500.00		1,500.00	Dr.
2	7,000.00		8,500.00	Dr.
3		6,500.00	2,000.00	Dr.
4		500.00	1,500.00	Dr.
5	4,000.00		5,500.00	Dr.
6		2,500.00	3,000.00	Dr.
7		500.00	2,500.00	Dr.
8		150.00	2,350.00	Dr.

Land

Entry	Dr.	Cr.	Balance	
3	1,500.00		1,500.00	Dr.

Building

Entry	Dr.	Cr.	Balance	
3	3,000.00		3,000.00	Dr.

Equipment

Entry	Dr.	Cr.	Balance	
3	2,000.00		2,000.00	Dr.
4	500.00		2,500.00	Dr.

Loan

Entry	Dr.	Cr.	Balance	
2		7,000.00	7,000.00	Cr.
8	150.00		6,850.00	Cr.

FAB10

Owner's Worth - J. LaPointe

Entry	Dr.	Cr.	Balance	
1		500.00	500.00	Cr.

Owner's Worth - S. LaPointe

Entry	Dr.	Cr.	Balance	
1		500.00	500.00	Cr.

Owner's Worth - L. LaPointe

Entry	Dr.	Cr.	Balance	
1		500.00	500.00	Cr.

Sales

Entry	Dr.	Cr.	Balance	
5		4,000.00	4,000.00	Cr.

Purchases

Entry	Dr.	Cr.	Balance	
6	2,500.00		2,500.00	Dr.

Expenses

Entry	Dr.	Cr.	Balance	
7	500.00		500.00	Dr.

J.S.L General Store.
Work Sheet for the Period Ended June 30, 1970.

ACCOUNT TITLE	LEDGER PAGE	TRIAL	BALANCE	P.L STATEMENT DR.	CR.	BALANCE SHEET DR.	CR.
Cash		2350 00				2350 00	
Land		1500 00				1500 00	
Building		3000 00				3000 00	
Equipment		2500 00				2500 00	
Loan.			6850 00				6850 00
Net worth:							
J. La Pointe			500 00				500 00
S. La Pointe			500 00				500 00
L. La Pointe			500 00				500 00
Sales			4000 00		4000 00		
Purchases.		2500 00		2500 00			
Expenses		500 00		500 00			
		12350 00	12350 00	3000 00	4000 00	9350 00	8350 00
Net Profit (Loss)				1000 00			1000 00
				4000 00	4000 00	9350 00	9350 00

FAB10

J.L.S. General Store
Balance Sheet
for period ended June 30, 1970

Assets		Liabilities & Net Worth		
Cash	$2,350.00	Loan	$6,850.00	
Land	1,500.00	Total Liabilities		$6,850.00
Buildings	3,000.00			
Equipment	2,500.00	Net Worth		
		J. LaPointe	500.00	
		S. LaPointe	500.00	
		L. LaPointe	500.00	
		Current Profit	1,000.00	
		Present Net Worth		2,500.00
Total Assets	$9,350.00	Total Liabilities & Net Worth		$9,350.00

OWNS		OWES	
Cash	$2,350.00	Loan	$6,850.00
Land	1,500.00	Net Worth	
Buildings	3,000.00	J. LaPointe	500.00
Equipment	2,500.00	S. LaPointe	500.00
		L. LaPointe	500.00
		*Net Profit	1,000.00
	$9,350.00		$9,350.00

*Net Profit has to be added in because any profit earned by a business belongs to the owners.

FAB10

Middle Rapids Trading and General Store
Balance Sheet
for period ended July 31, 19__

Assets		
Cash	$3,303.02	
Land	300.00	
Building	1,500.00	
Equipment & Fixtures	2,420.00	
Truck	850.00	
Total Assets		$8,373.02
Liabilities and Net Worth		
Liabilities		
Loan	$6,900.00	
Total Liabilities		$6,900.00
Net Worth		
Investment - B. Duran	745.00	
Plus: Current Profit	728.02	
Present Net Worth		1,473.02
Total Liabilities & Net Worth		$8,373.02

NOTE: The above Balance Sheet is written in REPORT form. The type which the student has prepared to date is known as a Balance Sheet in ACCOUNT form.

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB10 THE BALANCE SHEET

EXERCISE FAB10 - 1

JOHN LAPOINTE'S TROUBLES

On June 1, John LaPointe formed a partnership with his nephew, Larry LaPointe, and Larry's wife, Sue. Each of the partners put in $500.00 cash, a total of $1,500.00. They arranged for a loan of $7,000.00. On June 3, the partners bought John Quaker's Store for $6,500.00. The purchase price included land valued at $1,500.00, equipment valued at $2,000.00 and a building valued at $3,000.00. One of the advantages of the building was the fact that it contained living quarters.

Larry, Sue and John agreed that they should divide the jobs between themselves. Sue was to wait on customers. Larry would look after any repairs that had to be done, handle the shipments of supplies and help wait on customers. John would do the ordering, pricing and bookkeeping.

The J.L.S. General Store opened for business June 7, but after only the first week problems began. Larry and Sue liked to have parties after work which in itself didn't bother John -- the problem was that Sue usually drank too much at these parties, and couldn't do much work the next day. Besides, Larry and Sue were having personal problems. This didn't help the business because it needed everyone working together to make it a success.

On June 23, John had to order some new meat freezing equipment which cost five hundred dollars ($500.00). The supplier made him pay cash because they had not been in business very long and the supplier did not know if they were good credit customers. He said that they could probably arrange credit later.

Meanwhile, tension was building up between the partners. John felt that Larry wasn't doing his share of the work and was causing the business to have a reputation as a partying-place. Although John thought that some entertainment was okay, he knew that the amount of partying Larry and Sue did was bad for business. He repeatedly warned them that their constant partying would have to stop, but Larry and Sue did not listen. The final straw came on the night of June 30th when Larry and Sue held a real "bash". The next day John told them that he wanted out of the business.

To decide on a price for the business John made up financial statements. The sales for the month were $4,000.00. They had paid expenses of $500.00 and purchased $2,500.00 worth of merchandise. (There was no merchandise left.) They had made a loan payment of $150.00.

Questions for Discussion

1. List the things OWNED and OWED by this business on June 30, 19__.
2. Make up a Balance Sheet for the business.
3. How much did the business owe each partner on June 30, 19__?

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB11 RECORDING CLOSING ENTRIES

INSTRUCTOR'S GUIDE

OVERVIEW

In this lesson the student is shown how to journalize and post the entries necessary to close off a set of books at the end of a stated accounting period.

Closing entries are made in the Journal at the end of the accounting period in order to transfer all temporary nominal accounts (income and expense) to the real account, net worth. (Nominal accounts appear ONLY on the Profit and Loss Statement, whereas real accounts involve assets and liabilities on the Balance Sheet.) For the purpose of grouping these various nominal accounts, a special account called the Profit and Loss Summary is opened. It is used for this purpose only, and is then closed out to the net worth account.

It is necessary to close out these nominal accounts so that the amount of sales, purchases, and expenses for each period of time may be kept separate. This helps in the comparison of profits or losses for the different periods. Closing entries also bring the net worth account in the Ledger into agreement with the net worth section of the Balance Sheet.

OBJECTIVE

Given a set of Ledger accounts, the student will be able to journalize and post the entries necessary to close off the books.

FAB11

RESOURCES REQUIRED

1. Journal for Case FAB7-1.
2. Ledger for Case FAB7-1.

METHODOLOGY

1. Hand out Readings.
2. Read Purpose and Introduction and discuss.

PURPOSE

In this lesson you will learn how to record the profit or loss of business operations into your books.

INTRODUCTION

Separate accounts are kept for revenue and expense in order to make it possible to prepare a Profit and Loss Statement. The balances of the revenue and the expense accounts are then transferred to one account known as the profit and loss summary account, and the profit becomes part of the net worth. It is necessary to close the revenue and expense accounts so that the amounts of sales, purchases, and expenses for each period of time may be kept separate. This helps you in comparing profits or losses for the different periods.

OBJECTIVE: GIVEN A SET OF LEDGER ACCOUNTS, THE STUDENT WILL BE ABLE TO JOURNALIZE AND POST THE ENTRIES NECESSARY TO CLOSE OFF THE BOOKS.

Stimulus

3. Ask the students what Journal entries would be required to close off a set of books.

   For example: What accounts would be closed? What debit or credit entries would be posted, and what accounts would the debit or credit be posted to in order to follow the debit/credit rule?

FAB11

Clarify Problem

4. Discuss the need to close off the accounts. If necessary reread the Introduction.

Provide Information

5. Read Section 1 of the Readings. Using a flip chart illustrate the example contained in the Readings.

CONTENT

1. Method of Closing the Accounts

The profit and loss (revenue and expense) accounts are closed by summarizing them in one account called the profit and loss summary account (profit and loss for short). The balance of this summary account is the amount of the net profit or net loss for the period; it is closed into the account called "own money". This latter account will now be renamed "owner's worth".

The summary is made by transferring the balances of the different revenue and expense accounts to the profit and loss account. This is illustrated below for one of the accounts having a credit balance, the sales account.

Journal Entry:

Jan	3	Sales	45	125 33	
	3	Profit and Loss	42		125 33
		(Closing entry)			

As the sales account has a credit balance, the transfer is made by crediting the profit and loss account for the amount of this balance. Finally, to show that the balance of the sales account has been transferred to the profit and loss account, the balance of the sales account must be reduced to zero. This is done by debiting the sales account with the amount of the former balance.

Similarly, the purchases and expense accounts, which have debit balances, are credited for the amount of these balances, and these amounts appear as debits in the profit and loss account.

Jan	3	Profit and Loss	42	87 32	
	3	Purchases	60		87 32
		(closing entry)			
Jan	3	Profit and Loss	42	28 76	
	3	Expenses	80		28 76
		(closing entry)			

Revenue and expense accounts in which there are no balances are said to be closed

The Journal entries are posted to the General Ledger accounts. After the closing entries have been posted, the General Ledger accounts affected would appear as follows:

ACCOUNT NO. ________ SHEET NO. 45

NAME Sales TERMS ________

ADDRESS ________ CREDIT LIMIT ________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	Dr or Cr	✓	BALANCE
19	-									
Jan	3		J2				125 33	Cr		125 33
	3	Closing entry	J3		125 33					0

ACCOUNT NO. ________ SHEET NO. 60

NAME Purchases TERMS ________

ADDRESS ________ CREDIT LIMIT ________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	Dr or Cr	✓	BALANCE
19	-									
Jan	3		J2		87 32			Dr		87 32
	3	Closing entry	J3				87 32			0

ACCOUNT NO.
SHEET NO. 80
NAME Expenses
TERMS
ADDRESS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
Jan	3		J3		28 76			Dr		28 76
	3	Closing entry	J3				28 76			⊖

ACCOUNT NO.
SHEET NO. 42
NAME Profit and Loss
TERMS
ADDRESS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
Jan	3	Sales	J3				125 33	Cr		125 33
	3	Purchases	J3		87 32			Cr		38 01
	3	Expenses	J3		28 76			Cr		9 25

6. Discuss method illustrated to see if it meets the need to get all the information into one account.

7. Read Section 2 of the Readings and discuss. Use the flip chart to illustrate the example shown in the Readings.

2. Closing the Profit and Loss Account

After the revenue and expense accounts have been closed into the profit and loss account, this account has served its purpose. Its balance, which should be the same as the net profit or net loss shown on the Profit and Loss Statement, may then be transferred to the net worth account. In this way, the profit and loss account is closed, and the net worth may be increased or decreased by the amount of the profit or loss for the period.

Journal Entry:

Jan	3	Profit and Loss	42	9 25	
	3	Net Worth	40		9 25
		(closing entry)			

The two General Ledger accounts, net worth and profit and loss, now look like this:

ACCOUNT NO
SHEET NO. 40
NAME Net Worth
TERMS
ADDRESS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR OR CR	✓	BALANCE
19	–									
Dec.	31	Opening Balance	J1				300 00	Cr		300 00
Jan	2	Personal Investment	J1				500 00	Cr		800 00
	2	Personal Drawing	J1		25 00			Cr		775 00
	3	Profit & Loss	J4				9 25	Cr		784 25

ACCOUNT NO
SHEET NO. 42
NAME Profit and Loss
TERMS
ADDRESS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR OR CR	✓	BALANCE
19	–									
Jan	3	Sales	J3				125 33	Cr		125 33
	3	Purchases	J3		87 32					38 01
	3	Expenses	J3		28 76					9 25
	3	Net Worth	J4		9 25					-0-

8. Read Section 3 of the Readings and discuss. Illustrate example on the flip chart.

3. The Post-closing Trial Balance

After posting the closing entries, you should take a final Trial Balance as a check on your work in posting the closing entries. This Trial Balance is known as a Post-closing Trial Balance; the figures in it should agree with the figures in the Balance Sheet and in the Balance Sheet section of the Work Sheet.

Joe Mathew

Post Closing Trial Balance as of January 3, 19—

Cash	1	769 25	
Land	10	900 00	
Building	15	700 00	
Equipment & Furniture	20	465 00	
Government Loan	30		1900 00
Loan, Father-in-Law	31		150 00
Net Worth	40		784 25
		2834 25	2834 25

9. Read Section 4 of the Readings and discuss. Not only is this a review of this lesson but it is also a brief review of the bookkeeping system to date.

4. Summary

Closing entries are made:

a. To bring the net worth account in the General Ledger into agreement with the net worth section of the Balance Sheet;

b. To mark off an accounting period so that it may be compared with other periods of the same length.

To close the books the balances of the income and expense accounts are transferred to one account, the profit and loss account; the balance of this account is then transferred to the net worth account.

The closing entries may be written up in the Journal by following the Profit and Loss Statement or by referring to the Profit and Loss section of the Work Sheet.

You have now completed a very simple bookkeeping system. In the following FAB lessons you will be using the basic principles you learned in lessons FAB3 to FAB11 but will be putting in more details. Let's quickly review the bookkeeping system to date.

a. Prepare a Balance Sheet to determine the net worth of the business (FAB3), and record it in the Journal. (This is known as the Opening Entry). Post to the General Ledger (FAB4).

b. Record routine transactions in the Journal and post daily to the Ledger (FAB5 and FAB6).

c. Take a Trial Balance at the end of the period (FAB7).

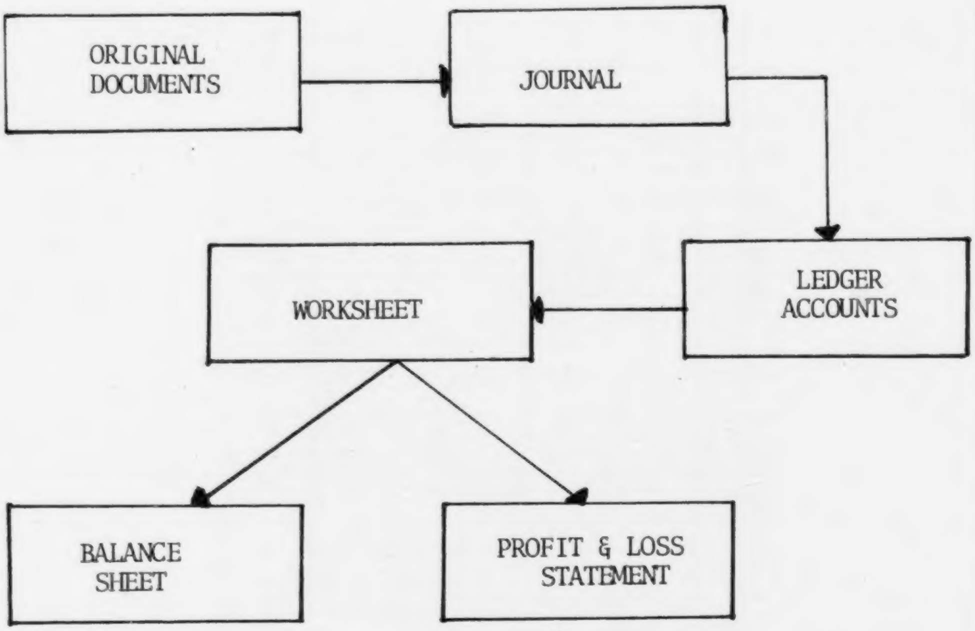
d. Prepare a Work Sheet (FAB8).

e. Prepare statements from the Work Sheet (FAB9 and FAB10).

f. Write up closing entries in the Journal, and post to the Ledger (FAB11).

g. Take a Post-closing Trial Balance (FAB11).

FAB11


ORIGINAL DOCUMENTS
JOURNAL
LEDGER ACCOUNTS
WORKSHEET
BALANCE SHEET
PROFIT & LOSS STATEMENT

The Bookkeeping Cycle

Indicator

10. Instruct the students to journalize and post the necessary closing entries and prepare a Trial Balance using the information in the Ledger accounts of case FAB7-1.

FAB11

July	31	Profit and Loss	39		2985 11	
July	31	Sales	40	2985 11		
		closing entry.				
July	31	Profit and Loss	39	2113 00		
July	31	Purchases	45		2070 00	
July	31	Freight	44		43 00	
		Closing Entry.				
July	31	Profit and Loss	39	144 09		
July	31	Expenses	50		144 09	
		Closing Entry				
July	31	Profit an Loss	39	728 02		
July	31	Net Worth	15		728 02	

SHEET No. 35

ACCOUNT No.

TERMS

NAME Investment - B. Duran

CREDIT LIMIT

ADDRESS

DATE		ITEMS	FOLIO	V	DEBITS	V	CREDITS	DR OR CR	V	BALANCE
19	—									
July	5	Opening balance	J1				750 00	Cr		750 00
	9	Withdrawal	J2		500 00			Cr		745 00
	31	Profit and Loss	J5				728 02	Cr		1473 02

FAB11

SHEET No. 39
ACCOUNT No.
TERMS NAME Profit and Loss
CREDIT LIMIT ADDRESS

DATE		ITEMS	FOLIO	V	DEBITS	V	CREDITS	DR or CR	V	BALANCE
19	—									
July	31	Sales	J5				2985 11	Cr		2985 11
	31	Purchases	J5		2070 00			Cr		915 11
	31	Freight	J5		43 00			Cr		872 11
	31	Expenses	J5		144 00			Cr		728 02
	31	Net Worth	J5		728 02			—		-0-

FAB11

SHEET No. 40
ACCOUNT No.

TERMS
NAME Sales

CREDIT LIMIT
ADDRESS

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR. OR CR.	✓	BALANCE
19—										
July	9		J1				71 33	Cr		71 33
	10		J2				61 71	Cr		133 04
	11		J2				110 18	Cr		243 22
	12		J2				93 12	Cr		336 34
	13		J3				117 12	Cr		447 46
	16		J3				60 01	Cr		507 47
	17		J3				31 05	Cr		538 52
	18		J3				316 91	Cr		855 43
	19		J3				93 05	Cr		948 48
	20		J3				105 93	Cr		1054 41
	22		J3				206 19	Cr		1260 60
	23		J3				191 11	Cr		1451 71
	24		J4				175 11	Cr		1626 82
	25		J4				301 19	Cr		1928 01
	28		J4				199 10	Cr		2127 11
	29		J4				213 00	Cr		2340 11
	30		J5				319 00	Cr		2659 11
	31		J5				326 00	Cr		2985 11
	31		J5		2985 11					⊖

SHEET No. 44

ACCOUNT No.

TERMS

NAME Freight

CREDIT LIMIT

ADDRESS

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR CR	✓	BALANCE
19—										
July	9	T.C. Freight Ltd.	J2		26 00			Dr		26 00
	25	T.C. Freight Ltd	J4		17 00			Dr		43 00
	31						43 00			—0—

SHEET No. 45

ACCOUNT No.

TERMS

NAME Purchases

CREDIT LIMIT

ADDRESS

DATE		ITEMS	FOLIO	V	DEBITS	V	CREDITS	DR CR	V	BALANCE
19	—									
July	9	#667 Smith & Smith	J1		561 00			Dr		561 00
	9	#A67 W.T. Jacks	J2		393 00			Dr		954 00
	9	#1113 M.M. Meats	J2		533 00			Dr		1487 00
	25	#1213 M.M. Meats	J4		193 00			Dr		1680 00
	25	#1014 Smith & Smith	J4		390 00			Dr		2070 00
	31						2070 00			0

SHEET No. 50

ACCOUNT No.

TERMS

NAME Expenses

CREDIT LIMIT

ADDRESS

DATE		ITEMS	FOLIO	V	DEBITS	V	CREDITS	DR. OR CR.	V	BALANCE
19	–									
July	9	Casual Help	J2		4 00					4 00
	19	Truck Repairs	J3		15 00					19 00
	19	Power Bill	J3		27 93					46 93
	23	Supplies	J4		39 16					86 09
	29	Gas - Truck	J4		27 00					113 09
	31	Telephone Bill	J5		31 00					144 09
	31						144 09			⊖

FAB11

Middle Rapids Trading and General Store
Trial Balance
for period ended July 31, 19__

Account Title	Ledger Page	Debit	Credit
Cash	1	3,303.02	
Land	10	300.00	
Building	12	1,500.00	
Equipment & Fixtures	14	2,420.00	
Truck	15	850.00	
Loan, Government	30		6,900.00
Investment, B. Duran	35		1,473.02
		8,373.02	8,373.02

SUBJECT PERSONAL FINANCE

LESSON PF1 INTRODUCTION TO FAMILY MONEY MANAGEMENT

INSTRUCTOR'S GUIDE

OVERVIEW

This first lesson in the Personal Finance subject is an important one for anyone considering a business venture. It is a common occurence among new businessman to take money out of the till as required without recording the drawings. Very often the businessman is unaware that his drawings have exceeded the profit earned by the business. The effect of excessive drawings on working capital will be re-examined in a later lesson.

Students must appreciate the importance of keeping business and personal money matters separate; they are then much less likely to fall into this trap.

Many small businessmen lack the knowledge to manage their personal finances. Because of this, the money which the family has is not used to give the family as much satisfaction as it might, if some planning went into the use of the money. Future lessons will deal with personal money management.

OBJECTIVE

1. Students will recognize the importance of separating family money matters from business money matters.
2. Students will recognize the importance of family money management.

PF1

RESOURCES REQUIRED

1. Projectuals: PF1 - 1, "Keep Your Hands Out of the Pockets of Your Business"

   PF1 - 2, "A Need for Family Money Management"

2. Case PF1 - 1, "Robbing the Business".

3. Film, "Using Money Wisely" (18 minutes)

4. Flip chart.

METHODOLOGY

1. Do not hand out the Readings immediately.

OBJECTIVE 1: STUDENTS WILL REALIZE THE IMPORTANCE OF SEPARATING FAMILY MONEY MATTERS FROM BUSINESS MONEY MATTERS.

Stimulus

2. Show Projectual PF1 - 1, "Keep your Hands out of the Pockets of Your Business".

Clarify Problem

3. Discuss the projectual.

   a. Ask: "What does this mean? "Can Smith take money out of the business any time he wants?"

      Answer: No. He might cause the business to fail.

   b. Ask: "How should Smith pay himself?" List students's suggestions.

      Answer: Example, draw a certain amount of what he has taken out.

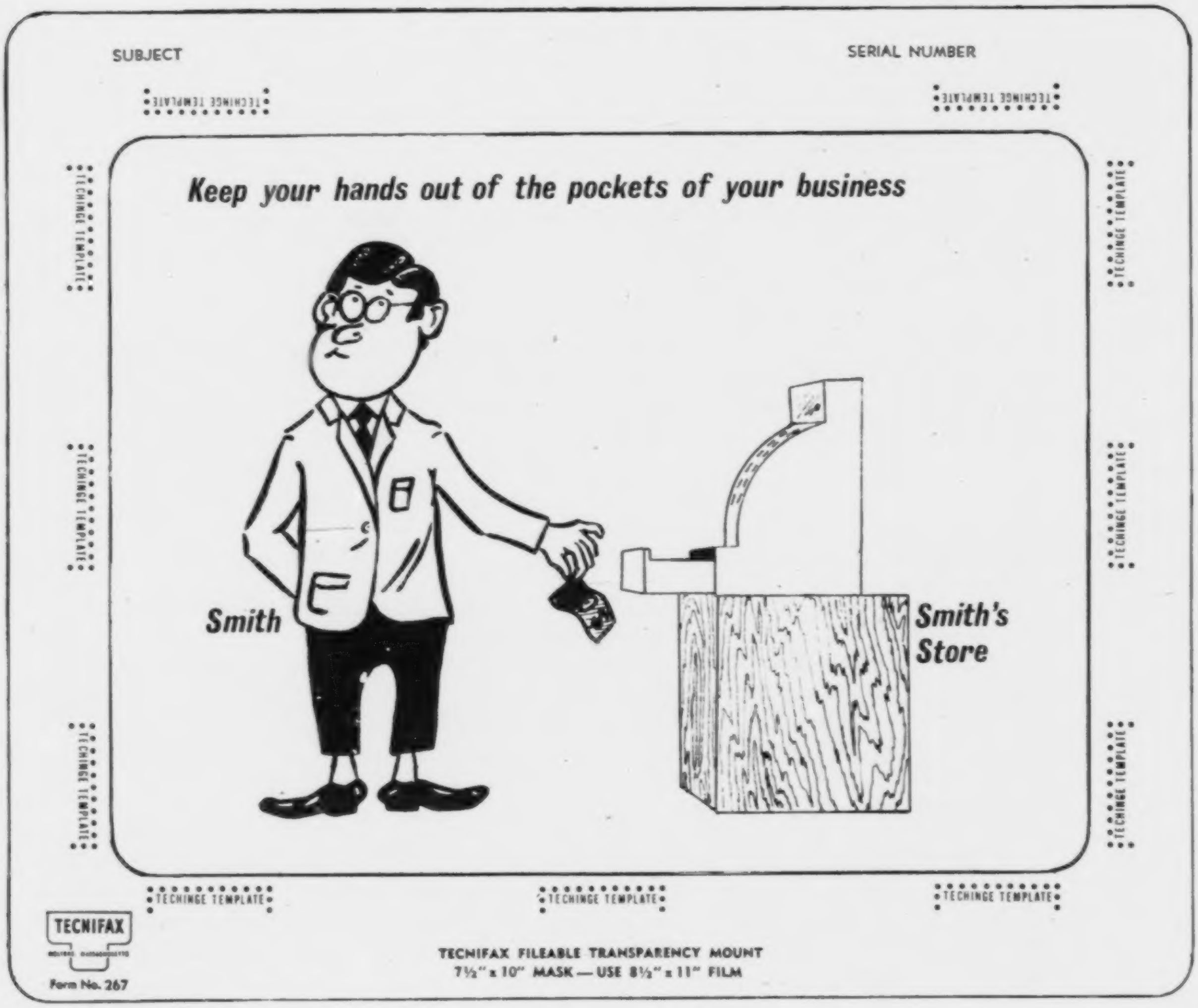
   c. Ask: "How much should Smith pay himself?"

      Answer: Smith cannot take out more money than the business can afford to pay him.

   d. Ask: "Why is it important to keep your personal money matters separate from your business money matters?"

PF1

PF1-1 KEEP YOUR HANDS OUT OF THE POCKETS OF YOUR BUSINESS


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
Keep your hands out of the pockets of your business
Smith
Smith's Store
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

Answer: The business has a life of its own. It needs money to keep going. You cannot take more money out of the business than it can afford to pay you. You have to decide how much your business can afford to pay you and then keep that money for your personal spending. If you do not separate your personal money matters from the money matters of your business, your business may go broke.

Do you know businesses where drawings of money were too high for the business? What was the effect?

Provide Information

4. Hand out Readings; read and discuss the Purpose and Introduction.

PURPOSE

In this lesson we will discuss the importance of family money management. We will also discuss the need for a family budget and the important part it can play in sound family money management. Finally we will briefly discuss the topics that will be covered in the Personal Finance subject area.

INTRODUCTION

A small business is generally a family operation; that is, most members of the family are involved in the business to one degree or another. In such cases it is easy for a problem to arise in keeping family money matters separate from business money matters. Often there is a tendency among members of the family to take money out of the cash register or cash box to buy household goods or pay family bills. Quite often they may also take goods off the shelves for family use.

There would be no particular problem if every withdrawal of money or goods was recorded and if the amount of money and goods taken was not excessive. It is very important that an owner-manager (and his family) take no more out of the business than the business can afford to pay him.

What happens if more money and goods are taken than the business can afford? The result is that there are less goods available for sale. There may also be too little money with which to buy more goods for sale.

It is surprising the number of businesses that get into financial difficulties because of these problems. Often family members fail to realize that money received from selling goods is not all profit. If most of the money taken into the business is not available to buy more goods, the business may fail. Everyone in the family should understand that if the business is to survive, only a limited amount of money can be taken from the business for personal needs and wants.

It is just as important to plan your family finances as it is to to plan your business finances. Failure to do so can ruin your business as quickly and as thoroughly as lack of business experience and training.

5. Read and discuss Sections 1 and 2 of the Readings.

CONTENT

1. The Importance of Keeping Family Money Matters and Business Money Matters Separate

Many businesses fail because the businessman always has his finger in the till. He may not keep track of how much money or how many goods he takes out of the business. He may not spend his money wisely. Before long both he and his business are broke.

Remember, the business needs money to stay alive. If you remove more money from the business than it can afford to pay you, then your business will fail. If you take products or stock out of your business without paying for them, the same thing will happen. You must learn to keep your family money matters separate from your business money matters.

2. How Can You Keep Your Personal (Family) Money Matters Separate From the Business Money Matters

One effective method you can use is to draw a salary from the business. Be sure to keep a complete record of all amounts of money you pay yourself from the business.

If you withdraw any goods (e.g., groceries) pay for them in cash. This will help to keep family and business matters separate, will help to ensure that the family will live within a budget your business can afford, and that money is available in the business to buy new stock (goods for sale) when necessary.

PF1

Indicator

6. Hand out case PF1-1, "Robbing the Business to Death". Read and discuss the questions at end of case. This should re-emphasize the importance of separating family money matters from business money matters.

OBJECTIVE 2: STUDENTS WILL REALIZE THE IMPORTANCE OF FAMILY MONEY MANAGEMENT.

Stimulus

1. Show Projectual PF1-1, "A Need for Family Money Management". Ask: "Have you had this situation happen to you?"

Clarify Problem

2. Discuss projectual.

   a. Ask: "How would you avoid situations like this?" List answers and discuss further. Suggest keeping a family budget as one way.

   b. Ask: "How will you make your family understand that all the business money is not your money?" Discuss.

Provide Information

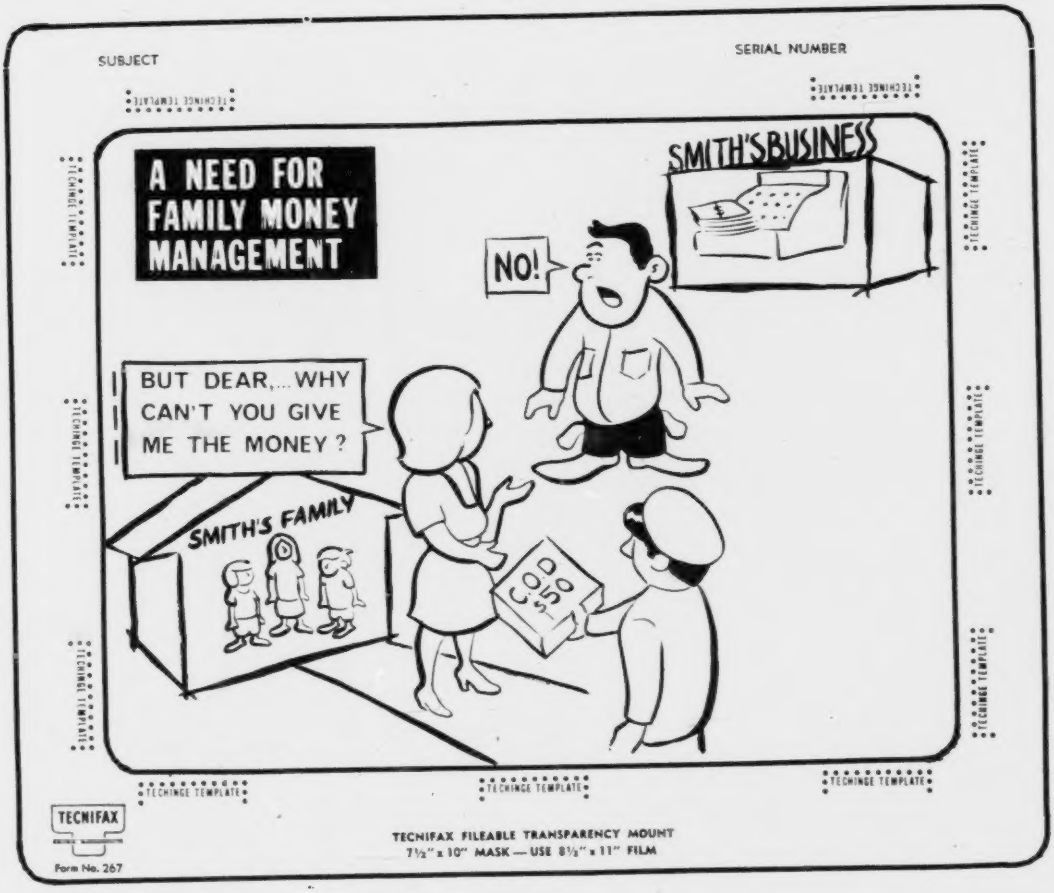
3. Read Section 3 of the Readings.

3. The Purpose of Family Money Management

Most families have only a limited amount of earnings (income). The purpose of family money management is to help ensure that the entire family gets the most satisfaction it can from the limited amount of earnings (income) it has to spend.

Usually the family needs and wants more things than it can afford. Therefore the family has to decide which things it will buy and which things it won't buy. For example, if a family wants both a TV set and a washing machine, but it can only afford to buy one of them, it has to make a choice. The

PF1-2 A NEED FOR FAMILY MONEY MANAGEMENT


SUBJECT
SERIAL NUMBER
A NEED FOR FAMILY MONEY MANAGEMENT
SMITH'S BUSINESS
NO!
BUT DEAR,...WHY CAN'T YOU GIVE ME THE MONEY?
SMITH'S FAMILY
C.O.D. $50
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

choice should be the one that is the most appropriate for the family at that particular time.

4. Discuss the Readings. Refer students back to lesson MP1, "The Individual and His Needs". Indicate to students: "We saw that we have almost unlimited needs and wants, yet we have only limited money to buy the things we want." Emphasize the purpose of money management to help ensure the family gets the most satisfaction it can from limited money available. Encourage students to talk about some needs and wants which they cannot get now because of lack of money.

5. Ask: "How do you decide which things you will get if there are more things you want than you can presently afford? Students should suggest that they have to set priorities in order to decide.

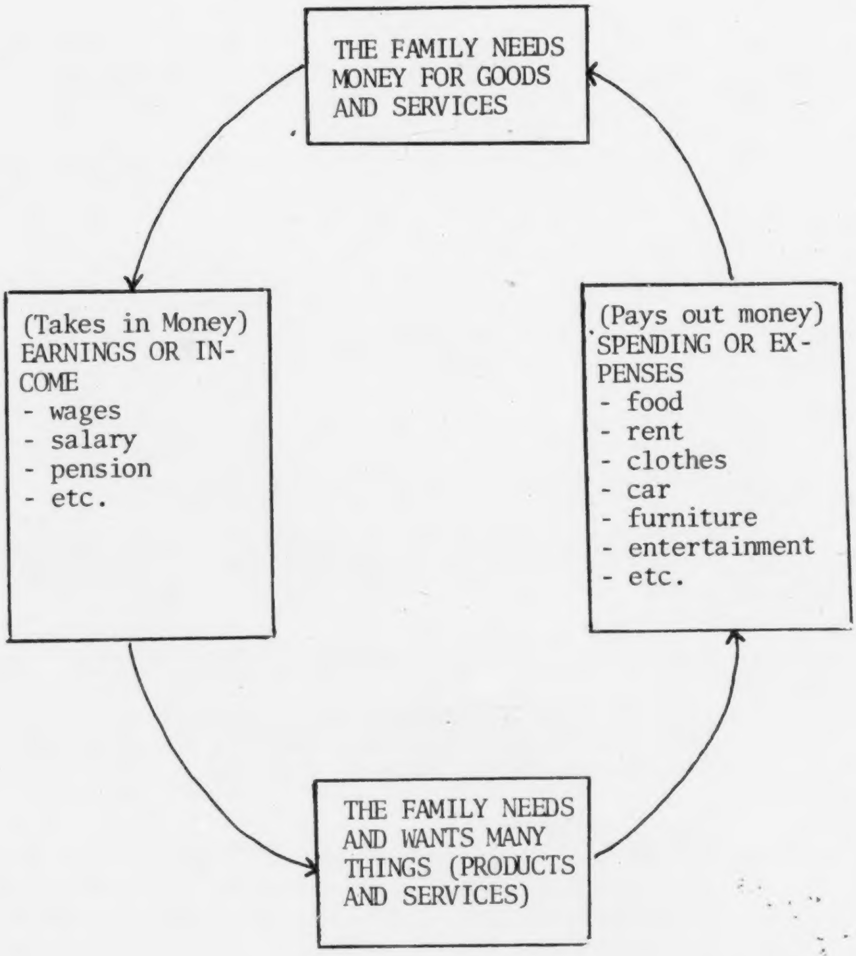
6. Read and discuss Sections 4, 5, 6 and 7 of the Readings.

4. What is Involved in Family Money Management?

Family money management tries to ensure that the family does not spend more money than is available. In order to do this properly it is necessary to keep a record of family income and expenses. This is not always the easiest or most convenient thing to do.

The following diagram may help to clarify what is involved.

PF1


THE FAMILY NEEDS MONEY FOR GOODS AND SERVICES
(Takes in Money)
EARNINGS OR INCOME
- wages
- salary
- pension
- etc.
(Pays out money)
SPENDING OR EXPENSES
- food
- rent
- clothes
- car
- furniture
- entertainment
- etc.
THE FAMILY NEEDS AND WANTS MANY THINGS (PRODUCTS AND SERVICES)

If the family spends more than it earns, then it will have to borrow money (go into debt). If the family spends less than it earns, then it will have money left over (savings). We can show saving and borrowing as follows:

INCOME $500 minus EXPENSES $400 = SAVINGS $100

OR

INCOME $500 minus EXPENSES $600 = BORROWING $100

5. Who Should be Involved in Family Money Management?

If family money management is to work at all, every member of the family (old enough to understand what is involved) should take part.

6. Lessons to be Covered in the Personal Finance Subject Area

PF1: Introduction to Family Money Management
This lesson points out the need for keeping family and business money matters separate.

PF2: Family Budgeting
To the small businessman, a family budget can often mean the difference between success and failure in his business operations. You are shown how to start your own budget and are encouraged to continue it throughout the course.

PF3: The Importance of Saving
In this lesson you will discuss why savings are important to your family and to your business.

PF4: Consumer Credit
Many families have money problems because they do not use credit wisely. This lesson points out many aspects of family credit so that you will be better able to manage your family money matters.

PF5: Calculating Interest
In this lesson you will learn how to calculate interest on savings, loans, and other kinds of consumer credit.

PF6: Personal Insurance
This lesson points out the benefit of having personal insurance if you and/or your family suffer loss due to fire, theft, illness, injury, or death.

PF7: Your Will and Estate
Whether you have few or many possessions you will likely have some definite ideas about who should receive them after you die. This lesson discusses the hardship, inconvenience and legal complications that can arise if you die without leaving a will. It also discusses the two types of wills and how to go about making out each type.

7. Summary

Small businesses are usually family-run businesses. However, this does not mean that there is no need to keep family money matters and business money matters separate. In fact, it is vital to the survival of the business that they be kept separate.

Products and money taken from the business for family use mean that the business has less goods for sale and less money to buy more goods. If more money or goods are taken from the business than it can afford, it will surely fail.

The owner-manager must determine how much the business can safely afford, and should take no more than this amount in money and goods. He must also keep a complete and detailed record of all money and goods taken from the business.

The most effective method an owner-manager can use for keeping business finance and family finance separate is to pay himself a salary. The family should then make a practice of paying for all goods that it takes from the business, just like other customers.

These methods and suggestions will only work if the family lives within its income. If spending exceeds income, it is likely that the amount of money and/or goods taken from the business will increase - to make up for the increased spending. This, as we have seen, can be dangerous. To help prevent this from happening, family budgeting should be practised. To be successful, family budgeting must be a family matter. This means that everyone in the family must be involved in making the budget work.

7. Students should see the relationship between the Personal Finance subject and the field of Business Management.

8. Show the film, "Using Your Money Wisely" (18 minutes).

Indicator

9. Set up a role-playing situation built around the case PF1 - 1. Have a student play Fred Smith, another his wife, others their five children. Let students determine the details of the role-playing situation: ages of children, community, etc.

   The role-play could involve the following:

   a. The owner-manager has to convince his family members that they can't have everything they want.

   b. The arguments lead to explanation of why money (or goods) can't be taken from the business at will.

   c. The family agrees that they need to set up a family budget to help manage their personal finances.

SUBJECT PERSONAL FINANCE

LESSON PF1 INTRODUCTION TO FAMILY MONEY MANAGEMENT

CASE PF1 - 1

ROBBING THE BUSINESS

Fred Smith took over his uncle's hardware store, with a down payment of $2,000.00, in the spring of 1968; he borrowed the rest from the bank. Fred lived at the back of the store with his wife and five kids. His oldest boy helped serve customers, but his wife wasn't interested in the business. She was busy looking after the younger kids.

Before Fred got into the hardware business, he had driven a taxi. He never seemed to be able to make enough money to pay all the family bills. He thought he could make a better living operating the store.

When Fred first took over the hardware store, he took just enough money out of the till to pay for the family bills as they came in. He didn't draw out any regular amount of money, and he didn't keep track of how much money he took. It seemed the family bills were always coming in. The kids were getting bigger. They needed clothes and wanted bikes. Fred's wife bought these things and had the bills sent to the hardware store.

One day Fred's banker phoned and told Fred he was a month late in making payments on his business loan. Fred took $100 out of the till and sent it to the bank. Later that day a regular customer came in to buy paint for his barn. He wanted to cash a $75 grain cheque but Fred didn't have enough money in the till to cash the cheque. Two days later, bills for family drugs and clothes came in. Again Fred didn't have enough money to pay the bills. Fred's wife had recently taken a floor polisher and two lamps out of the store's stock to use in the house. Fred couldn't order more because the supplier refused to give him credit.

PF1

Questions for Discussion

1. What is Fred's problem?
2. What caused the problem?
3. What would you do to avoid this problem in your business?

SUBJECT PERSONAL FINANCE

LESSON PF2 FAMILY BUDGETING

INSTRUCTOR'S GUIDE

OVERVIEW

In lesson PF1, "Introduction to Family Money Management", the students were introduced by means of the case to the necessity of budgeting. They saw that drawing money from the business caused problems and that, in order to make the best use of their money, a plan would be required.

This lesson deals with the need for a family budget and the method of preparing a family budget. Following the lesson, students should undertake to keep a family budget for the balance of the course.

Students often give various reasons for not keeping a budget: too short a time to plan, too little money, amount of money is uncertain, etc. Factors such as these do not make budgeting easy, but they do seem to make budgeting all the more essential. The instructor should offer any assistance and encouragement the students may need in preparing their budgets.

OBJECTIVE

The students will be able to maintain a monthly family budget.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Brown, N.E. Consumer Eduction. Toronto: The MacMillan Company of Canada Ltd., 1967, pp. 42 - 47.

2. Prindle, John L. It's Not Just Money. Madison, Wisconsin: Cuna International Inc., 1967.

3. Jordahl, Edna K. Managing Your Future; Part 4 - Family Budgeting. St. Paul, Minnesota: Agricultural Extension Service, University of Minnesota, 1962.

RESOURCES REQUIRED

1. Projectuals: PF2-1, "Outline of a Family Budget"
   PF2-2, "What Is A Family Budget?"
2. Family budget books obtainable from a bank, credit union or finance company.
3. Filmstrip, "Getting Your Money's Worth", obtainable from:
   Educational Film Distributors Ltd.
   191 Eglinton Avenue East
   Toronto 12, Ontario
4. Optional: Resource person from a bank, credit union or other agency.

METHODOLOGY

1. Hand out the Readings and read the Purpose and Introduction.

PURPOSE

In this lesson we will discuss what a family budget is, and how to prepare one.

INTRODUCTION

For a long time budgeting was a device used entirely by business firms to assist them in their financial planning. Once people began to realize how well budgeting was working to make business firms successful, it was not long before family budgeting became a common practice.

Budgeting helps to keep you out of financial trouble; it helps you live within your income. It aids you in setting priorities in your spending and thereby getting the most out of your money.

It is often better to adjust your wants to your income than to buy on credit and find that many of the things you purchase end up being repossessed. Even if you do manage to pay for your credit purchases, you will likely have to pay heavy interest charges.

A budget forces you to think about alternatives in spending. It points out very clearly the difference between what you would like to do and what you are able to do. Although you may not be happy with the results, at least you are aware of the facts ahead of time.

A family budget is important whether you own a business or work for someone else. However, you should remember that when you own a business, living beyond your income can cause the business to fail.

2. Discuss the Readings. The students should see budgeting as a means of setting priorities so the family can get the maximum satisfaction of their wants within the limits of their income. Suggest that a budget helps eliminate much of the impulse buying we tend to do when no priorities are set.

OBJECTIVE: THE STUDENTS WILL BE ABLE TO MAINTAIN A MONTHLY FAMILY BUDGET.

Stimulus

3. Ask if any of the students have ever tried to keep a budget. Encourage them to discuss their experiences with budgeting.

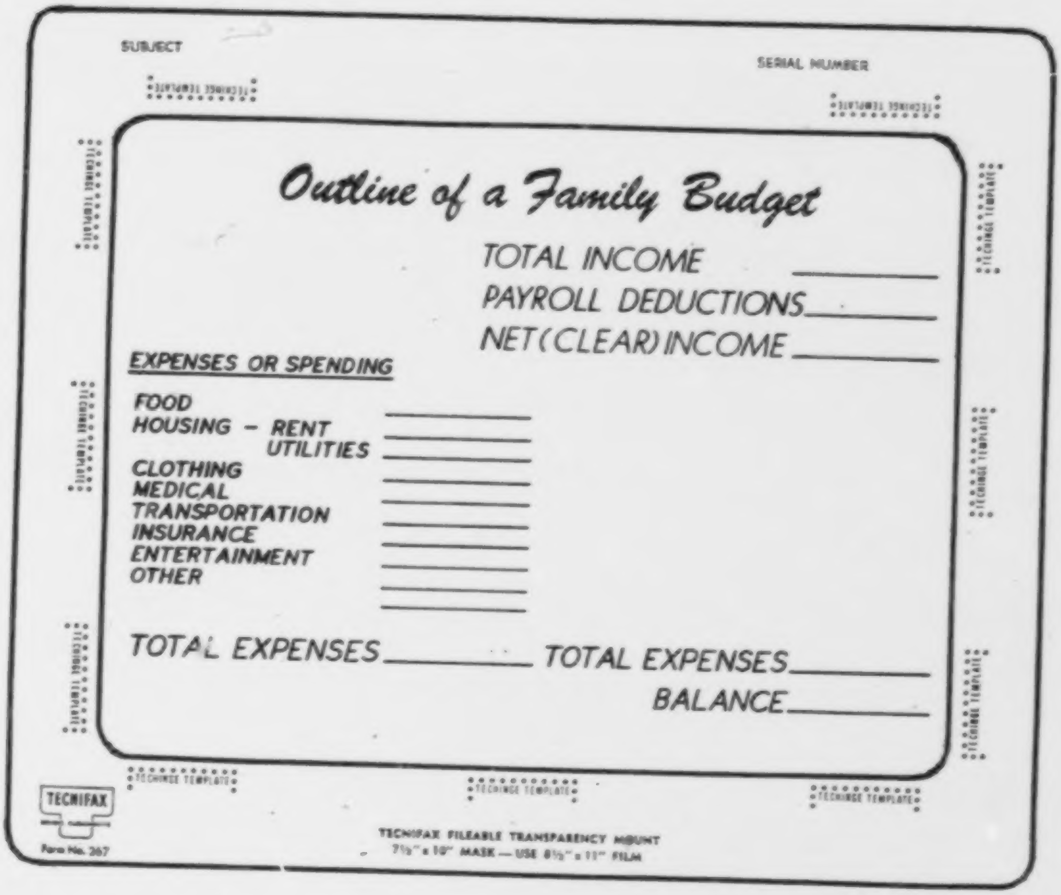
Clarify Problem

4. Ask: "What were the main problems in keeping the budget? Were they determining the priorities? sticking to the budget? dealing with unexpected emergencies?"

Provide Information

5. Read Sections 1 and 2 of the Readings. After Section 1, show Projectual PF2-1, "Outline of a Family Budget".

PF2-1 OUTLINE OF A FAMILY BUDGET



SUBJECT
SERIAL NUMBER
TECHNIGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

Outline of a Family Budget

TOTAL INCOME ________
PAYROLL DEDUCTIONS ________
NET (CLEAR) INCOME ________

EXPENSES OR SPENDING

FOOD ________
HOUSING - RENT ________
UTILITIES ________
CLOTHING ________
MEDICAL ________
TRANSPORTATION ________
INSURANCE ________
ENTERTAINMENT ________
OTHER ________
____

TOTAL EXPENSES ________ TOTAL EXPENSES ________
BALANCE ________

CONTENT

1. What is a Budget?

A budget is a planning device. It is not meant for keeping track of every penny spent. That is, a budget is a plan for spending, not simply a record of expenditures. A family budget helps the family see if the money coming in (earnings or income) matches the money going out (expenses or spending) in some time period (e.g., month, year). If money is left over then there is a saving. If there is not enough income to meet expenses then there may have to be borrowing. A family budget also helps the family decide how it will spend its money. The family, not the budget, makes the decision. By keeping a budget, the family can see how their family money matters will look in the future. If you have a picture of what is going to happen in the future, it helps you make decisions. Remember, keeping a family budget isn't just a boring business of putting numbers down in a book. It can help you save. It can help you borrow wisely. If you don't keep a budget, you may not be getting as much satisfaction out of your money as you could be.

2. What Time Period is Used for Budgeting?

The family can budget for every week, month, three months, or a year. Usually the budget covers the time from one pay day to the next. However, many families use a month or three months for their budget period.

A rough example of a family budget for a married man with seven children earning $7,200 per year or $600 per month is shown below:

NOTE: The budget is for a one month period.

	MONTHLY
Income or Earnings	$600.00
Payroll Deductions (e.g., Income Tax)	55.00
Clear Income or Take Home Pay	$545.00

Expenses or Spending	MONTHLY
Food	$150.00
Housing - rent	130.00
- utilities	30.00
Clothing	30.00
Bill Payments	30.00
Medical	20.00
Transportation	30.00
Insurance	10.00
Entertainment	30.00
Personal Care	20.00
Other Expense	60.00
TOTAL EXPENSES	$540.00
Remainder	$ 5.00

Remember, the family decides how much to spend on each item. If all family members can help to plan the budget, they will have a better idea of family spending.

The summary of a budget can be shown as follows:

Family Income	$______
less Family Expenses	$______
Balance	$______

6. Discuss the Readings. The students should see that a budget is a planning device which requires a person to set priorities in wants and in spending. The recording of the money spent is a means of checking whether or not the budget is working.

7. Ask students to prepare a budget for the same size family with a take home pay of $3,000 or $5,000. The students can work in small groups, with each group using a different salary level. Upon completion, have one member from each group copy the budget onto the flip chart. Discuss each budget with the full group.

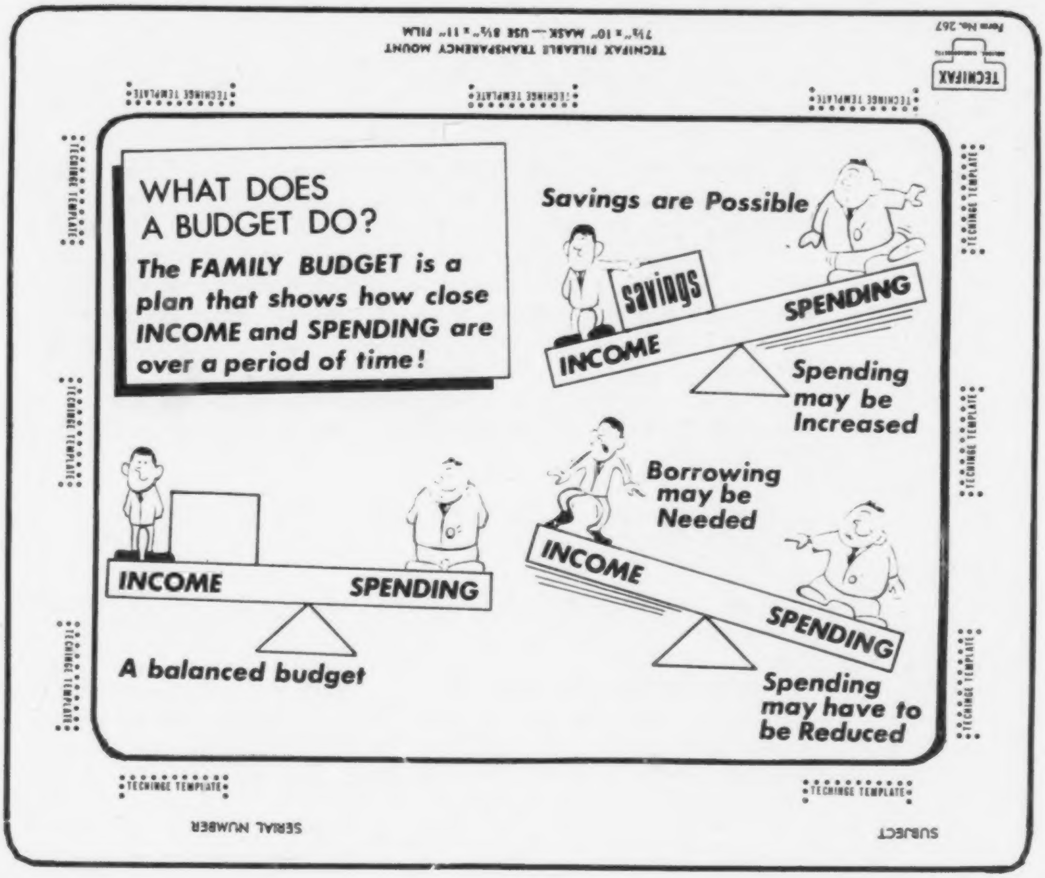
8. Hand out a copy of a family budget book. Let the students examine it.

9. Read Section 3 of the Readings. Show Projectual PF2-2, "What Is a Family Budget?" during the reading.

3. How to Keep Your Family Budget

You will be given a copy of a family budget book. Use

PF2-2 WHAT IS A FAMILY BUDGET?



WHAT DOES A BUDGET DO?

The FAMILY BUDGET is a plan that shows how close INCOME and SPENDING are over a period of time!

Savings are Possible
savings
INCOME
SPENDING
Spending may be Increased
INCOME
SPENDING
A balanced budget
Borrowing may be Needed
INCOME
SPENDING
Spending may have to be Reduced

this book to keep a family budget for the remainder of the course. The instructors will help you if you have any difficulty. Read through the book carefully several times.

Some of the steps you should follow in budgeting are:

a. Decide on the time period the budget will cover, e.g., month or year. This is called a budget period.

b. List all the things you want to buy now and during the budget period.

c. Estimate the income you will receive during the budget period.

d. Estimate and list all the expenses you think you will have during the budget period. Some expenses will be fixed, that is, they will have to be made at regular times throughout the budget period, e.g., food, heat, rent, lights, etc. Other expenses will be variable, that is, you decide whether you want to make them or not, e.g., entertainment, travel, etc. You should estimate what per cent of your income is to be spent on each type of expense. Your decision will depend on your family size, on the community where you live and on your priorities.

e. Estimate how much money you want to save during the budget period.

f. Add up all expenses and savings and compare with your income.

g. If your income is smaller than your expenses and savings, you will have to revise your priorities; that is, you will have to decide whether you want to buy certain things now (on credit) or whether to delay their purchase until a later time.

h. If your income is bigger than your expenses and savings, then you can buy all the things you listed in step b above.

i. Check over the completed budget to see that the whole family is getting the most satisfaction from the way the money is going to be spent.

10. Discuss each point of the Readings: Ask if students have any questions about starting their own budget.

11. Show the filmstrip, "Getting Your Money's Worth".

12. Read and discuss Section 4 of the Readings.

4. Summary

In this lesson you have discussed the importance of planning family spending. Planning your expenditures in advance will show you whether your income is sufficient to meet your needs and wants. If income is insufficient, you know this ahead of time and can revise your priorities as necessary.

You also discussed the nature of a budget; this is, what a budget is, and the time periods that may be most appropriate for preparing a budget. Finally, you were briefly introduced to the procedures to use in preparing a budget.

A family budget is important to everyone, but it is perhaps of particular importance to the small businessman. By helping to regulate family spending, it helps prevent too much money or goods being drawn out of the business.

Indicator

13. Ask students to involve their families in setting up a family budget as a take-home exercise. They can discuss this budget with the instructor and then undertake to keep track of their family's spending in the family budget book provided.

14. Set up role-playing situations where various family members are discussing the family budget. Each family member wants different things and the parents try to protect the budget.

15. Arrange to have a resource person familiar with the subject visit the class to discuss and answer questions on family budgeting.

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB12 SOURCES OF FUNDS FOR STARTING THE BUSINESS

INSTRUCTOR'S GUIDE

OVERVIEW

The intention of this lesson is to make the students aware that there is money available to help start businesses. These sources of financial help range from commercial lending institutions to special government programs.

Many times you have heard the statement, "I would go into business but no one will lend me the money." The problem isn't necessarily the fact that no one will lend money to this potential businessman, but that he is not aware of where to apply for funds. There are many government programs available for helping potential businessmen, and he should be aware of these and alternative sources.

The student should also realize that loans, grants, etc. are for specific purposes, and applications will be analyzed as to the economic viability of the proposal.

OBJECTIVE

The student will explore sources of financing to start a business.

RESOURCES REQUIRED

The instructor should write to the following addresses to obtain information available on loans, grants, etc. The instructor should also enquire about other possible sources of financing which may apply to Native businesses.

FAB12

1. Industrial Intelligence & Promotion Branch
Incentive Division
Department of Regional Economic Expansion
Ottawa, Ontario KIA OH4

2. Guaranteed Loans Administration
Department of Finance
Ottawa, Ontario KIA OH4

3. Business Services Division
Indian and Eskimo Economic Development Branch
Department of Indian Affairs and Northern Development
Ottawa, Ontario KIA OH4

4. Department of Economic Development
Government of Newfoundland and Labrador
St. John's, Newfoundland

5. Department of Economic Growth
Government of New Brunswick
Fredericton, New Brunswick

6. Department of Finance and Economics
Government of Nova Scotia
Box 187
Halifax, Nova Scotia

7. Ministry of Industry and Commerce
Parliament Buildings
Quebec City, P.Q.

8. Ministry of Industry and Tourism
900 Bay Street, Herst Block
Queen's Park
Toronto 182, Ontario

9. Industrial Development Bank
243 Wellington Street
Ottawa, Ontario

10. Information Division
Department of Industry, Trade and Commerce
MacDonald Building
Ottawa, Ontario

11. Communities Economic Development Fund
203 - 428 Portage Avenue
Winnipeg, Manitoba R3C 0E3

12. Saskatchewan Industry Department
7th Floor, Power Building
Regina, Saskatchewan

13. Alberta Commercial Corporation
1810 Centennial Building
10015 - 103 Avenue
Edmonton, Alberta T5J 0H1

14. First Citizen Fund
Parliament Buildings
Victoria, British Columbia

METHODOLOGY

1. Hand out Readings

2. Read the Purpose and Introduction

PURPOSE

In this lesson you will examine some of the loans and grants available to you in order to start a business.

INTRODUCTION

Businessmen usually require money to start their business operations and to keep them going. The source of this money very often comes in the form of loans from some lending institution, or grants from federal and provincial governments. To the person with a well thought-out plan for an economically viable business, there are a number of sources readily available. The major stumbling blocks to using these funds are:

1. the businessman is unaware of the sources available
2. the plan for the business has not been prepared in enough depth to show its potential.

OBJECTIVE: THE STUDENT WILL EXPLORE SOURCES OF FINANCING TO START A BUSINESS.

Stimulus

3. Ask the students what funds are available to start businesses.

Clarify Problem

4. List the students' answers on the flip chart.

Provide Information

5. Read Section 1 of the Readings and discuss.

CONTENT

1. Where Can You Obtain the Money?

   a. Personal
   The first place you should look to for funds is your personal resources. You may have a suitable piece of land and/or buildings which would meet the requirements of the business. You may have some money saved, enough to lease or rent suitable buildings and equipment, or to purchase merchandise or raw materials. Many a successful small businessman started his first business in a room of his house.

   There is more personal freedom when you can finance your own business. When you use only your own funds, you do not have to worry about meeting loan payments, interest rates, etc. You have more freedom to operate.

   b. Other People
   Many times you yourself might not have the needed resources but a person in your community will. This person might be willing to allow you to use these resources in return for a share of the ownership of the business. In the lessons on Business Law, you will be studying the legal aspects of going into business with someone else, whether as a partner or as a shareholder (limited company or co-operative). You should be aware that you might be able to obtain the needed funds from others who are willing to share in the ownership of the business.

   c. Loans
   There are many loans available to the person wishing to start his own business. You may be able to borrow money from a credit union, or any other commercial lending institution if you can meet their loan requirements. In addition to loans from the above institutions, you may be able to get a loan under various federal and provincial legislation. Some of the loans available from the governments will be examined later in this lesson.

d. Grants
In order to help people start their own businesses, both federal and provincial governments offer a number of grants. A grant is a sum of money which is given by the government (federal or provincial, depending on the legislation under which it is obtained) for a specific purpose and does not have to be repaid.

6. Compare information in Section 1 to the answers listed on the flip chart (point 4).

7. Read Sections 2, 3, 4, and 5. Discuss ways in which students feel they could use each source of funds.

2. Loan From a Bank, Credit Union or Other Commercial Lending Institution

a. Who is Eligible?
Anyone wanting funds to start a business may approach a bank, credit union, or other commercial lending institution for a loan. In order to obtain the loan you must be able and willing to meet the requirements of these lending institutions. They will be interested in the following:

(1) How much money you need
(2) How you are going to use it
(3) How your business will make money
(4) Whether the lending institution will be repaid
(5) And when it will be repaid.

b. Loan Purposes
Loans will be given for any purpose the lending institution decides is worthwhile to anyone who is able to repay the money loaned. A lending institution must protect its shareholders from unnecessary risks because it is a commercial undertaking, and its satisfactory performance is measured in dollars and cents.

c. Maximum Amount
The maximum amount that a lending institution will loan depends upon the lending policies of that institution and the borrower's ability to repay.

d. Interest Rate
The interest rate charged on loans will vary from lending institution to lending institution, and from time to time. If money is borrowed from a commercial lending institution, the interest rate you will pay should be calculated and com-

pared to that charged by similar institutions in order to obtain the best terms (in the Personal Finance lesson PF5 you will see how to calculate interest rates).

e. Maturity
The length of the loan will depend upon the policy of the institution you received the loan from. Their policy on the length of the loan will depend upon the amount, collateral taken, and their personal assessment of the loan.

f. Collateral
The commercial lending institution will require some protection of its investment. In many cases the loan will not be given directly to the business, but rather as a personal loan to one or more of the owners. This way the owners, not the business, are responsible for repayment.

Besides having the loan guaranteed by the owners, most commercial lending institutions require that you sign over to them the land, buildings, equipment, or whatever is used to obtain the loan. This is done so that if the business goes broke they can sell the item signed over to them in order to recover the outstanding amount of the loan.

g. Where to Apply
For further information apply at the office of the lending institution.

3. Small Business Loan Act

a. Who is Eligible
The owner (s) of a small business enterprise may borrow money. This may be in a sole proprietorship, a partnership or a limited company.

A small business enterprise is eligible if its estimated annual gross revenue does not exceed five hundred thousand dollars ($500,000) during the year in which the application is made.

Loans may be made to small business enterprises operated for gain or profit in Canada that are engaged in any of the following fields of industrial or commercial activities:

(1) manufacturing
(2) wholesale or retail trade
(3) service
(4) transportation
(5) construction
(6) communication

These loans are made under the provisions of the Small Business Loan Act through chartered banks, credit unions, and other commercial lending institutions.

b. Loan Purpose

The following business improvement loans may be made under the Act:

(1) Fixed Equipment Loans, for equipment of a kind usually affixed to real or immovable property.

(2) Movable Equipment Loans, for equipment of a kind not usually affixed to real or immovable property.

Loans under these two headings may be made for the purchase of equipment or for the cost of installation of fixed equipment, for the renovation, improvement or modernization of equipment where this is appropriate.

(3) Premises Loans, for the purchase, construction, renovations, improvement or modernization of premises.

c. Maximum Amount

The maximum which a business may have outstanding under the Small Business Loan Act at any one time may not exceed twenty-five thousand dollars ($25,000).

A loan under the Act may be used to finance up to a maximum of:

(1) 80% of the cost, including installation of fixed or movable equipment.

(2) 90% of the cost of the renovations or improvement of premises, or of the purchase price, or the cost of construction of premises.

d. Interest Rate

The interest rate charged on a loan granted under the Small Business Loan Act may be obtained from any chartered bank or other designated lender.

e. Maturity

The maximum period over which a loan can be repaid may not exceed ten years. Installments on the loan must be paid at least annually but may be required more frequently at the discretion of the bank.

f. Collateral

All business improvement loans must be "secured" -- the lending institution must be given some form of guarantee.

For equipment loans, the lender is required to take a first charge on items purchased. (This is usually called a chattle and means the equipment is pledged to the lending institution until the loan is paid.) For loans involving land, the lender is required to take a mortgage on the premises. (Mortgages are also a pledge of your property to someone in return for a loan. Mortgages will be studied in lesson BL11.) In addition, the borrower must usually give additional assurance of repayment of the loan in the form of a personal promissory note which guarantees the lending institution the repayment of the loan if the security is insufficient.

In general, banks are required to make loans under the Small Business Loans Act with the same care that is required of a bank in the conduct of its ordinary business.

g. Where to Apply
Apply at any chartered bank or credit union or other institution.

4. Industrial Development Bank

a. Who is Eligible?
Established by Parliament in 1944, the Industrial Development Bank provides capital assistance to new or existing business enterprises in Canada, particularly those of smaller size, which may reasonably be expected to prove successful, but which are unable to obtain financing on reasonable terms and conditions.

b. Loan Purpose
Most Industrial Development Bank loans are used to purchase land and buildings, and to alter or enlarge existing buildings, to construct new buildings, or to purchase machinery and equipment. Industrial Development Bank is interested in participating in the initial financing of soundly-conceived new businesses.

Industrial Development Bank considers applications to help finance a change of ownership of a business in some circumstances, for example when it is clear that the business will benefit by the change.

c. Maximum Amount
Most of the loans approved are for amounts of less than one hundred thousand dollars ($100,000), although larger amounts are available.

d. Interest Rate
The Industrial Development Bank's rate of interest on new loans changes from time to time in keeping with the general level of interest rates in Canada. Interest is calculated on the outstanding loan balance.

e. Maturity
The repayment of an Industrial Development Bank loan is usually by way of monthly instalments of principal and interest. While experience has shown that most Industrial Development Bank loans can be repaid within a term of approximately ten years, in some cases a longer term is arranged and in other cases, repayment may be required within a shorter time.

f. Collateral
The security for an Industrial Development Bank loan usually takes the form of a first charge on the fixed assets of the borrowing business. The method of taking security varies from loan to loan and according to the laws of the various provinces.

Borrowers are required to maintain adequate insurance on the assets mortgaged to the Industrial Development Bank. In some instances, insurance is required on the life of the owner of the business.

g. Where to Apply
For further information write:

Industrial Development Bank
Head Office
234 Wellington Street
Ottawa, Ontario

5. Economic Development Fund (Department of Indian Affairs and Northern Development)

a. Who is Eligible?
Eligible applicants are individual Indians, groups of Indians, Indian bands, or anyone who can make a contribution to the economic development of Indian people.

b. Purpose of Fund
Financing is available to the following classes of businesses:

(1) resource development
(2) retail trade
(3) service businesses

(4) manufacturing
(5) transportation
(6) wholesale trade
(7) communication
(8) construction
(9) co-operatives.

c. Principal Features of Indian Economic Development Fund

(1) guarantees loans of other lending institutions
(2) provides loans
(3) gives grants
(4) provides management advisory services

d. General Requirements

(1) Competent management is available or can be arranged;

(2) The expected earnings of the proposed or existing business will be sufficient to keep the business operating and to repay loans;

(3) The required financing is not available from other sources under reasonable terms;

(4) Normal business practices are followed;

(5) Security is available.

e. Where to Apply
For further information, contact the Regional Business Services Manager located in the following regional offices across Canada:

(1) Maritimes:
P.O. Box 160
Amherst, Nova Scotia

(2) Quebec:
175 St. Jean Street
Quebec 4, Quebec

(3) Ontario:
22 College Street
Toronto 101, Ontario

(4) Manitoba:
3rd Floor, Midtown Bldg.
267 Edmonton Street
Winnipeg, Manitoba

(5) Saskatchewan:
5th Floor, McCallum-Hill Bldg.
1874 Scarth Street
Regina, Saskatchewan

(6) Alberta:
27th Floor, C.N. Tower Bldg.
Edmonton, Alberta

(7) British Columbia:
325 Granville Street
Vancouver 2, British Columbia

(8) Yukon:
P.O. Box 2110
Whitehorse, Yukon

(9) Northwest Territories:
Dept. Industry & Development
Govt. Northwest Territories
Yellowknife, Northwest Territories

(10) Headquarters Address is:
Business Services Division
Indian & Eskimo Economic Development Branch
Dept. of Indian Affairs & Northern Development
Ottawa, Ontario K1A 0H4

8. Read Section 6.

6. Special Agricultural and Rural Development Act (ARDA)

(Department of Regional Economic Expansion in co-operation with the governments and the Indian and Metis associations of the three prairie provinces.)

a. Why the Program was Initiated
The Department of Regional Economic Expansion (DREE) recognizes that regional economic disparities exist in

Canada. The Regional Development Incentives Act and the Special Area Agreements are two of the Department's programs designed to achieve the objective of reducing such inequalities.

The Department also recognizes that the native people did not benefit to any great extent from these programs, and that native people were often economically disadvantaged and faced with unemployment problems. To help solve these problems the Department drafted a program, known as the Special ARDA Program, and presented it to the native associations of the three prairie provinces at a meeting in Regina in June of 1970.

b. How the Program Developed

The native associations made suggestions for changes in the program. Changes were made and the program was presented to the native associations and provincial governments of each province. Again disagreements arose and program changes were recommended. The revised program with its compromises was presented to the native associations and provincial governments in April 1971.

c. Basic Features of the Program

(1) What is the Special ARDA Program?

A program especially designed, in co-operation with the governments and the Indian and Metis Associations of the three prairie provinces, to provide people of Indian ancestry with new and better opportunities to improve their economic circumstances.

(2) What Does It Do?

Provides substantial grants and other assistance to projects which will open up new jobs, increase incomes and improve living conditions for Indian and Metis people living in rural areas of the three prairie provinces.

(3) What Kinds of Projects are Eligible?

(a) In rural areas where at least 30% of the population is made up of native people, the program will assist:

(i) Projects involving the establishment, expansion and modernization of any business operated by or which employs native people. Commercial undertakings of all types are eligible, including resource utilization, manufacturing, processing, and consumer service facilities;

(ii) Projects undertaken by groups or associations which will improve the incomes of native people now engaged in farming, fishing, forestry, and trapping. Examples would include the purchase of equipment that will increase the catch of fishermen, farm consolidation or enlargement, the improvement of timber stands and the upgrading or expansion of pastures;

(iii) Projects which would provide counselling, training and related services not available under other federal or provincial programs and needed to prepare native people for existing job opportunities or new jobs which will be created in the area in the foreseeable future.

(b) In remote rural communities in northern areas where there is a severe lack of employment and earning opportunities and where at least 50% of the population is of Indian ancestry, the program offers additional assistance for:

(i) Transportation and communication projects which will help provide access to existing or new job opportunities. Examples of transportation projects would be the construction of an access road to a work site, or of docking facilities required for the movement of locally-produced goods. A typical communication project could be the provision of radio-telephone equipment required for the operation of a local enterprise;

(ii) The development of community recreational facilities where these are a part of a plan or program for the area concerned, and where they will lead to employment and a significant improvement in living conditions for the people of the area.

(4) How Much and What Kind of Assistance is Available?
Assistance normally takes the form of a direct cash grant to the individual, group, or community undertaking the project, but it can also include the direct provision of training and other services. Projects qualify for different percentages and maximum amounts of assistance depending upon their nature. As an example, in the case of a commercial undertaking the incentive grant may provide up to 50% of the capital required for the project or up to thirty thousand dollars ($30,000) for each job directly created, whichever is less.

(5) What Conditions Must be Met?
Before it can be approved for assistance a project must meet certain conditions. These include:

(a) Adequate information must be provided to explain the project and justify the amount of assistance requested.

(b) At least two-thirds of the persons employed or engaged in the project must be disadvantaged native people for whom adequate provisions for training must be made. Assistance for the costs of this training may be provided.

(c) The project must show evidence that it can generate sufficient income to meet its obligations for at least a five-year period.

(d) The project must establish that it will be adequately managed. Where disadvantaged people of Indian ancestry are to be trained for management jobs, assistance for the costs involved may be provided.

(e) The applicant will be expected to provide a certain amount of equity in the project depending upon the project type. In the case of a commercial undertaking, this equity must be at least 20% of the capital cost of buildings, machinery and equipment, but it can take various forms including land provided and work done by native people.

(f) To be eligible a project must be approved before March 31, 1975 and it must not have been started before the application is received.

(g) Adequate provision must be made for pollution controls where applicable.

(h) If the project is a commercial undertaking, at least three family heads must be employed at a minimum income of at least twenty-five hundred dollars ($2,500) a year.

(i) If the project is a primary producing activity, it must improve the incomes of a group or association of native people.

(6) Who Decides Whether a Project Should Be Assisted?
A special committee will be set up in each province to review and recommend projects submitted for assistance under the program. This committee will be made up of at least four people of Indian ancestry as well as representatives of the federal and provincial governments.

d. How the Program Will Work
Applications for assistance under the program will be evaluated by the DREE staff, and will be submitted to the secretary of the Special ARDA committee, which will include representatives from the federal and provincial governments, and Indian and Metis associations. The committee will review applications and recommend whether assistance should be granted.

9. Section 6 is likely to raise many questions. Below are possible questions that might be asked and the type of answer that could be given.

Questions and Answers

Q: Do only native people benefit from this program? There are other disadvantaged people.

A: It is not correct to state that only people of Indian ancestry can benefit from the Special ARDA Program. For instance, a requirement of the program is that two-thirds of the employees must be of Indian ancestry but the remaining one-third can be of any race or nationality. In addition, ownership of the enterprises need not be native people only; anyone can apply for a grant so long as their application meets all of the conditions of the program. However, the emphasis of the program will be on assistance to the native people.

Q: Would fire protection facilities in a remote community qualify under the Special ARDA program?

A: If the protection was needed to safeguard some facility which was providing jobs or income, it could be considered.

Q: Would a bus to carry workers to the job qualify as transportation?

A: Under certain circumstances it could, if this were the only method of transportation which would get people to the income opportunities, but we would be much more inclined to regard a bus service as a commercial enterprise.

Q: Would telephones qualify for communications assistance?

A: DREE does not intend to provide facilities which would normally be the responsibility of the provincial government or the utility companies. However, as mentioned, a radio-telephone necessary for the operation of a job or income-producing enterprise would be considered. It would depend a great deal on whether or not the telephones were required for employment purposes, and whether or not the service was obtainable by other means.

Q: Will DREE provide all the grant assistance required in the case of transportation, communication and recreation projects, and what is the maximum assistance available in this type of project?

A: Insofar as projects which are for registered Indians or which are on Indian lands, DREE will provide all of the assistance offered. On all other projects involving Metis or other disadvantaged people, the province will share the cost of the assistance on a fifty-fifty basis.

The maximum assistance available is 90% of the capital costs of the project, but it is important to realize that the amount of the grant is limited to $30,000 for each permanent job created, and in the case of transportation, communication and recreation projects, this will restrict them to small projects.

Q: It was mentioned that work training and management advisory services could be included in the assistance offered - does this mean on the job training, and for how long would the training and management services be available?

A: Training assistance offered will be supplementary to other programs offered by the Department of Manpower or the Department of Indian Affairs or the provincial government. This could include training on the job. Training and management assistance will be available for up to three years.

Q: What kind of information will DREE need to support an application?

FAB12

A: An application should include data on the proposed operations, five year projected operating statements, cash flows and balance sheets. DREE will require information on the marketing, jobs, land, building, and equipment, as well as management and training.

Q: A twenty per cent equity is required for a commercial undertaking. How much equity is needed for a primary producing enterprise or a remote community project?

A: At least a 10% equity is required for other types of activity. This equity can be provided in the form of land, buildings or other assets that are owned or controlled by the applicant. Equity can also be provided through donated work done on the project. For instance, if the applicants wished to construct the buildings needed on a project, the value of this donated labour could be used as equity.

Q: Why is this equity needed?

A: It is felt that the applicants must have a personal involvement to make a project successful.

Q: If you have a signed contract which will provide money at a future date or if you had grain in storage, could this type of thing be used as equity?

A: Any asset that is directly connected with the enterprise which could be used as collateral for a personal loan can be used as equity in this manner.

Q: When an individual or corporation does not own the land, but is given the right to use it for a period of years, would you regard this as an equity?

A: Yes - it has a definite value and this value could be used as all or part of the necessary equity. It is important to note that this program provides grants and not loans and, therefore, it is not necessary to take any mortgages or use the land as security. We are only concerned with the value of the land and the tenure for for equity purposes.

Q: Would it be possible to get funds from another program for equity and still get a grant from the Special ARDA program?

A: No, not for equity. It must be a personal involvement or equity on the part of the individual or corporation or community. Under some circumstances, funds from other assistance programs can be used to finance the project, but not as equity.

Q: If 20% equity in a commercial enterprise was provided by the applicant and DREE gave a 50% grant, where would the other 30% come from.

A: We expect that in most cases it will be borrowed from the Indian Economic Development Fund or provincial sources such as the Saskatchewan Economic Development Fund or the Industrial Development Bank or any commercial lending institution. In some instances, assistance may come from other grants made by the province or some other agency, but it is unlikely that DREE would provide a 50% grant in such cases.

Q: If a grant is offered under the Special ARDA Program, when will the money be paid out?

A: The normal procedure will be to pay 80% of the grant after the enterprise or project is in operation for a period of at least 30 days. The remaining 20% will be paid 36 to 42 months after that date.

Q: Where will people get the money to start a project and how will it be financed during the construction stage?

A: It is suggested that the best sources to obtain interim financing (until the Special ARDA grant or other permanent financing is payable) are the normal lending sources such as banks or credit unions. It should be remembered that the sponsors of the project will have a letter of offer from the Special ARDA Committee which should help a great deal in obtaining interim financing. Very often an assignment is taken on the grant. If financing cannot be obtained from these sources, then we suggest that the native people should try the provincial government for temporary loan assistance. However, if the project is really worthwhile and interim financing is definitely unobtainable from any other source, it may be possible to get advance payments on the grant. This will only be possible in very rare cases.

Q: If you pay out 80% of the money when the project commences operation, how can you be sure that the individuals or companies will do the things they said they would do? Is this why 20% will be held back?

A: Yes, this is the main reason 20% of the grant will be held back but, if the terms of the grant agreement are not carried out by the people concerned, this will be a breach of contract and the grant could be recovered legally.

Q: Will the decison regarding the appointment of native representatives to the Special ARDA committee be made by the provincial Indian and Metis associations?

A: The representatives of the native community will be nominated by the provincial Indian and Metis association, and the provincial Ministers concerned will make the appointments.

10. Read Section 7 of Readings.

7. Other Funds

Information on the other funds available to the small businessman can be obtained by writing to the Department of Industry and Commerce of the provincial government.

11. Read Section 8 of Readings and discuss.

8. Summary

Funds for starting a business are available to persons who have a well drawn-up plan for a potential business. In order to successfully apply for a loan or grant you must be able to answer the questions:

a. How much money do you need?
b. How are you going to use it?
c. Is the business going to make money?
d. Can you repay the money?
d. How and when are you going to repay it?

You can answer all these questions if you carefully draw up plans for your business.

Indicator

12. The class discussion during the lesson will serve as the indicator.

SUBJECT PERSONAL FINANCE

LESSON PF3 THE IMPORTANCE OF SAVINGS

INSTRUCTOR'S GUIDE

OVERVIEW

It may not have occurred to many of the students that saving money is a possibility. Most students have little money to spend and they know little about the places where savings can be kept. They may not see savings as important to them.

The instructor can relate the idea of savings with the need for money to start up a business, purchase a home, furniture, etc. The students should see that if savings are to be a reality, they must incorporate the item of savings in their family budgeting and provide an amount to be placed into a savings account in a systematic way.

Students should also see savings as a means of making money available for lump sum payments. For example the family budget provides for a monthly amount for property taxes, car licences, insurance, clothing, furniture purchase, etc. If these amounts are not set aside in a savings account, they will almost certainly be spent on other things and will not be available for the intended purpose.

The instructor should give examples of ways of saving to help make the lesson more meaningful.

OBJECTIVES

1. Students will discuss the importance of saving.
2. Students will become familiar with the different places where savings can be kept.

PF3

REFERENCE MATERIAL FOR INSTRUCTOR

1. Brown, N.E. Consumer Eduction. Toronto: The MacMillan Company of Canada Limited, 1967, ch. 2.

RESOURCES REQUIRED

1. Various pamphlets, brochures, cheques that go with each type of savings account offered by a bank, a credit union and a trust company.
2. Booklets about Canada Savings Bonds obtainable from the chartered banks.
3. Films: "A Penny Saved" (14 1/2 minutes)
   "Saving to Reach Your Goal" (filmstrip)
4. Case PF3-1, "Mr. X's Family Budget".

METHODOLOGY

1. Hand out the Readings, and read the Purpose and Introduction.

PURPOSE

The purpose of this lesson is to discuss the reasons why saving money is important to your family and to your business. You will also discuss the various places to keep your savings.

INTRODUCTION

Why is it important to save? Some reasons a person or a family might want to save money are:

1. Savings make a person feel more secure. Money will be available for emergencies.
2. Merchandise doesn't have to be charged if a person has savings. Paying cash means you don't have to pay interest.
3. Savings can earn money for you, in the form of interest.
4. The person or family can plan their purchases more carefully; for example, they can buy things on sale.

5. Some saving is needed to pay for major yearly expenses, such as car licence and insurance, hospitalization, Christmas gifts.

6. Savings can be invested in a business. This means the business won't have to borrow as much money to get started. Sometimes the only way a person can start his own business is if he has savings.

Can you think of other reasons why a person or family should save?

Some reasons a business might want to save are:

1. Savings help to pay for future purchases of stock or equipment.

2. Savings mean a business can pay for some things without having to borrow, and avoid paying interest.

3. It is easier to get a loan if the business already has some savings.

4. Savings mean that the business has been able to make a profit.

A business with savings is usually a healthy business. Can you think of other reasons why a business should save?

OBJECTIVE 1: STUDENTS WILL DISCUSS THE IMPORTANCE OF SAVING.

Stimulus

2. Ask students if they have included savings in the budget they prepared. Ask them if they have a savings account at a bank or credit union. Encourage students to give their reasons for doing so or for not including savings in their budget.

Clarify Problem

3. Hand out Case PF3-1, "Mr. X's Family Budget" and read over with students. This case is designed to illustrate the need to include savings in the family budget. Have students do the assignment at the end of the case. The students will see that it is necessary to save in some months to meet the needs of other months.

PF3

MR. X's FAMILY BUDGET FOR 12 MONTHS

ITEM	MONTH											
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
INCOME:												
Gross (Total) Pay	500	500	500	500	500	500	500	500	500	500	500	500
Payroll Deductions	50	50	50	50	50	50	50	50	50	50	50	50
Net (Take Home) Pay	450	450	450	450	450	450	450	450	450	450	450	450
EXPENSES:												
Food	100	100	100	100	100	100	100	100	100	100	100	100
House Payments	120	120	120	120	120	120	120	120	120	120	120	120
Utilities	25	25	25	25	25	25	25	25	25	25	25	25
Clothing	20	20	20	20	20	20	20	20	20	20	20	20
Drugs	10	10	10	10	10	10	10	10	10	10	10	10
Car - gas & oil	20	20	20	20	20	20	20	20	20	20	20	20
- payments	70	70	70	70	70	70	70	70	70	70	70	70
- licence				25								
Insurance												
- life								80				
- hospital		20			20			20			20	
- car				75								
Taxes												300
Other expenses	20	20	20	20	20	20	20	20	20	20	20	20
Total Expenses	385	405	385	485	405	385	385	485	385	385	405	685
BALANCE	+65	+45	+65	-35	+45	+65	+65	-35	+65	+65	+45	-235
SAVINGS?												
BORROWING?												

4. Discuss the questions at the end of the case.

   a. Mr. X will have some money left over, for example January ($65.00), February ($45.00), March ($65.00), May ($45.00), June ($65.00), July ($65.00), September ($65.00), and November ($45.00), for a total of $525.00 during the year.

   b. Mr. X may have to borrow money during April ($35.00), August ($35.00), and December ($235.00), for a total of $305.00 for the year unless he saves some of the surplus (savings) from other months. Emphasize the need for saving during suplus months to cover extra expenses during deficit months.

   c. Mr. X would have to save $35.00 to cover extra expenses in April, $35.00 for August and $235.00 for December, for a total of $305.00. Since he has a surplus of $525.00 and a deficit of $305.00 he can easily save the $305.00 and still have some money left over.

      The instructor should emphasize the need for planning savings into the family budget.

Provide Information

5. Read and discuss Section 1 of the Readings.

CONTENT

1. The Meaning of Savings

When you have more of something than you need today and put it away for tomorrow, that is saving. It could be food, clothing or fuel; it could be money to buy something needed in the future.

In ancient times people lived insecurely from day to day because they had not learned to preserve and save food. Later, ways were found to dry and perserve meat, fish, berries, roots and other foods. People who had learned to farm were able to store wheat, corn or rice for long periods of time. By saving for the future, people had more security, more time to improve production, and more spare time.

In modern times, money has become the thing that is saved. People who earn wages or salary find it useful to save part of their pay. These savings can be spent in the future to purchase some needed object or can be used in time of sickness or unemployment.

Different cultures or communities may have different ideas about savings. A group-oriented or sharing culture would not consider that they had a surplus to save for the future until the needs of all members of the group had been met today. Generally speaking, the emphasize in North American society is on the individual, and savings are made on an individual basis. Do you agree?

To sum up, SAVING means putting away money from your present income so that you can use it sometime in the future. A person or family can save some of its income. A business can save some of its profits.

An old saying says 'pay yourself first', which means, 'put some money away in savings for a rainy day".

6. Show the filmstrip, "Saving to Reach Your Goal".

7. Show the film, "A Penny Saved" (14 minutes).

   a. Film Setting - middle class household.

   b. Summary of Film (including Notes on How to Use)

      (1) Start - film shows three couples getting together. One couple is in trouble due to buying too much furniture on credit. They could not keep up with the payments. The furniture was re-possessed.

      Second couple talk about their theory, "Do not buy anything you cannot buy for cash". Film shows the things they had to do to stick to this principle.

      STOP and discuss this theory - its advantages and disadvantages.

      Third couple are able to take holidays because they saved up money.

      (2) Couples talk about:

      - paying extra carrying charges
      - looking for cheaper loans
      - insured loans from credit union.

      This leads the couple who always pay cash to say: "Credit may not be so bad after all if it is used wisely".

      (3) Mentions that thrift requires savings and wise use of credit.

Discuss last part of film. Replay portions of film or total film if necessary.

Indicator

8. Group discussion.

OBJECTIVE 2: STUDENTS WILL BECOME FAMILIAR WITH THE DIFFERENT PLACES WHERE SAVINGS CAN BE KEPT.

Stimulus

1. Ask students to list on the flip chart answers to the question: "Where can you keep your savings?" or "How can you invest your savings so they earn interest?"

Clarify Problem

2. Discuss each place students have listed. Suggest the following, if not already mentioned:
   a. banks - savings accounts (chequing or non-chequing savings accounts), term deposits, etc.
   b. credit unions - savings accounts, shares, term deposits
   c. trust companies - similar to banks
   d. Canada Savings Bonds - can be bought from banks.

Provide Information

3. Read Sections 2 and 3 of the Readings. Illustrate the various types of savings accounts, bonds, etc., with the materials obtained for distribution. The instructor may want to go over the features and procedures connected with each form of savings briefly in the classroom and then leave the material with the students. The instructor can answer students questions at the beginning of the next lesson.

2. Where Can You Keep Your Savings?

Your family budget book has a section for savings. If possible, the family should put some money into savings each pay day. But where should these savings be kept? How should they be invested.

In the old days, most people kept their savings in a sock, jar, or mattress at home. Today, personal or business savings are put in banks, credit unions, or other institutions where they are safe and where they earn money (interest).

a. Chartered Bank
Banks have several different kinds of savings accounts. All savings accounts pay interest on your money. You will learn how to calculate interest later.

(1) Chequing-savings accounts. These are savings accounts that allow you to write cheques. They are almost the same as a chequing account. The only difference is that a chequing account does not pay you any interest on the money you put into it. The interest rate on chequing-savings accounts is low but the advantage is that cheques can be written on this account.

(2) True savings accounts. You cannot write cheques on this type of account. The interest rate is higher on true savings accounts than it is on chequing-savings accounts. Why do you think this is so?

(3) Term deposits. These are accounts in which you give the bank your savings for a certain period of time, such as one year, five years, etc. You cannot withdraw (take out) your money until this time period is up unless you take a lower interest rate than originally agreed upon. The interest rate is higher on term deposits than it is on other types of savings accounts. Why do you think this is so?

b. Credit Unions
A credit union is a co-operative bank owned by its members. When a member wants to save money, he purchases shares. At the end of the year the members meet to consider the operations of the credit union for the past year. At this time a dividend is declared and is credited to the members' share capital. The dividend rate depends on the credit unions' earnings. Share capital can be withdrawn at any time. Some other features of credit unions are worth considering:

(1) Most credit unions carry life insurance up to $2,000.00 on share accounts. If a member dies, life insurance is paid equal to the amount of his share capital.

(2) Term deposits similar to those of banks can be arranged.

(3) Members own and control their organization.

c. Trust Companies
Savings can be deposited with trust companies in accounts similar to those in banks.

d. Canada Savings Bonds
Every year the Government of Canada sells savings bonds to the public. By buying these bonds, the buyer is lending his savings to the government. The bonds pay interest and can be cashed at any time at the bank for the full face value.

e. Equity in Real Estate, Goods, etc.
If you purchase a house and make payments on it, you are reducing the amount of money you owe on the house. This is a form of savings. You could sell the house and collect your savings if you wanted to. The same happens to furniture. When it is paid off, you have a form of non-liquid savings if the furniture still has value.

f. Life Insurance
Some people save money by buying life insurance. While they live they are accumulating savings. They can provide for their families in case of their deaths.

g. Business Savings
A business, like an individual, should save. The savings could be used to help the business when it needs money. A business that sets aside savings will find it easier to obtain loans from banks or credit suppliers. A business can keep or invest its savings in the same places as an individual can.

3. Summary

Every family should have a savings plan of some type depending on its circumstances. A family without any savings can find it very difficult in emergencies.

Indicator

4. Student discussion. A review of the lesson material may be necessary.

SUBJECT PERSONAL FINANCE

LESSON PF3 THE IMPORTANCE OF SAVING

CASE PF3 - 1

MR. X's FAMILY BUDGET

Mr. X is married and has three children (ages 5, 9 and 14). Mr. X has a steady year-round job. His salary is $500.00 a month. After payroll deductions of $50.00 he takes home $450.00 clear per month.

Mr. X estimated his family expenses to be as follows: food ($100.00 per month), house payments ($120.00 per month to a Mr. Jones), utilities ($25.00 per month), clothing ($20.00 per month), drugs ($10.00 per month), car (gas and oil - $20.00 per month, payments - $70.00 per month, licence - $25.00 every April, insurance - $75.00 every April), taxes ($300.00 every December), life insurance ($80.00 every August), hospital insurance ($20.00 every February, May, August, and November), other expenses ($20.00 per month).

Assignment

Using the form on the last page, figure out Mr. X's family budget for the year.

Questions for Discussion

1. Will Mr. X have any money left over? Which months? How much is the total for the year?
2. Will Mr. X ever have to borrow money? What months? How much?
3. How much would Mr. X have to save at different times of the year to make sure he could pay all his expenses?

PF3

MR. X's FAMILY BUDGET FOR 12 MONTHS

	MONTH											
ITEM	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
INCOME:												
Gross (Total) Pay												
Payroll Deductions												
Net (Take Home) Pay												
EXPENSES:												
Total Expenses												
BALANCE												
SAVINGS?												
BORROWING?												

Training Research And Development Station
Department Of Manpower And Immigration